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with Shopping Center Age
The newsmagazine for retail management

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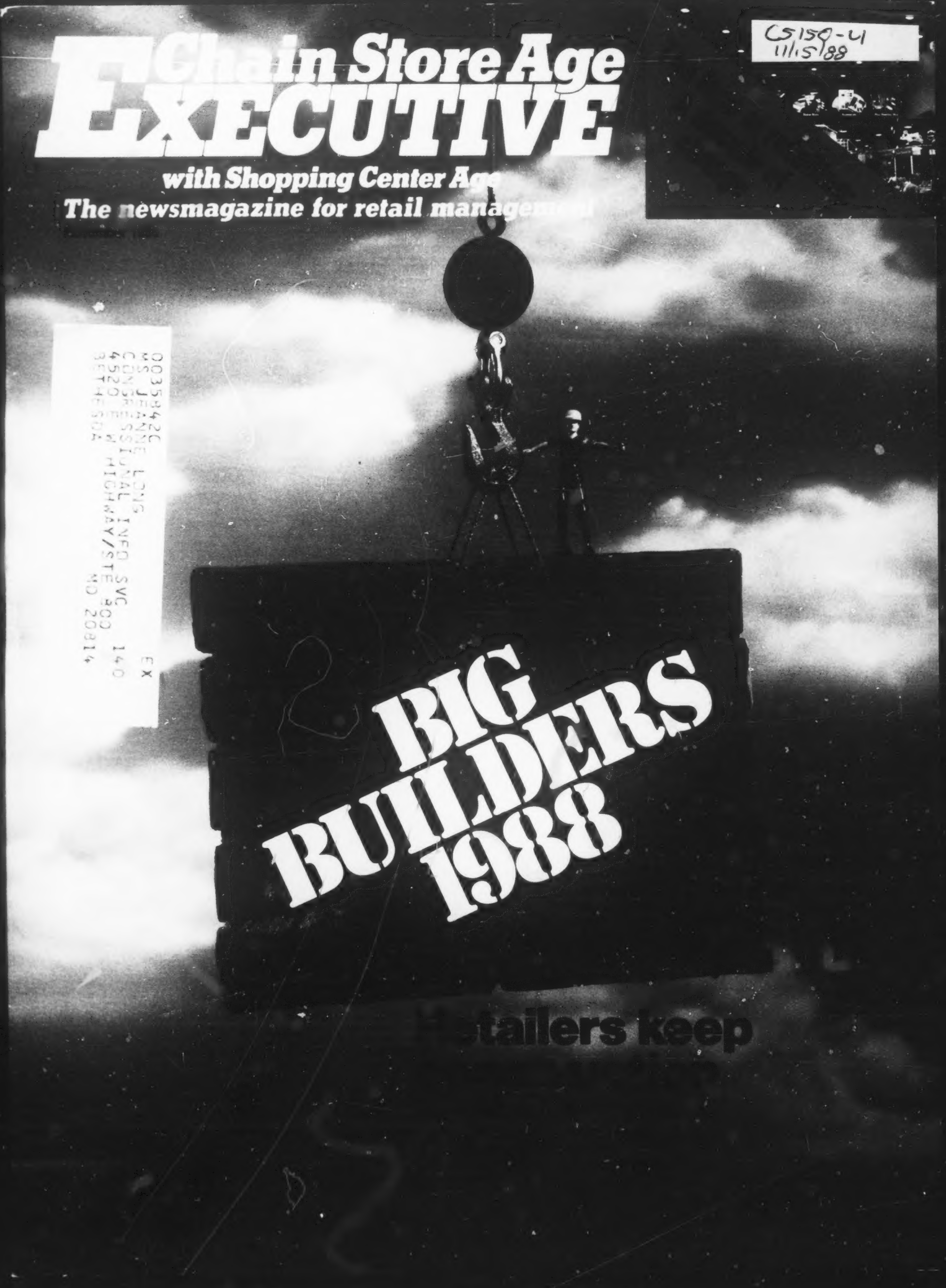

BIG BUILDERS 1988

Retailers keep

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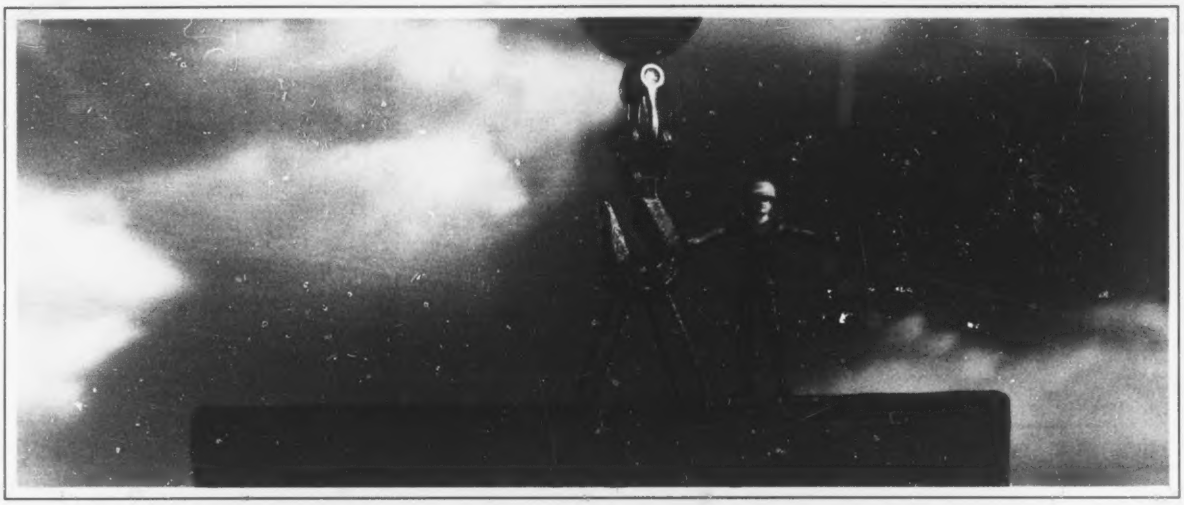

BIG BUILDERS 1988: SPENDING SLOWS

Led by Wal-Mart, K mart and Dayton Hudson, the nation's Top 25 Big Builders will spend more than $7.2 billion this year to add 58,527,980 sq. ft. of retail space. The pace of new store building and renovation, however, is slowing. Last year the top retail builders spent $7.4 billion to add 66,606,398 sq. ft. 20

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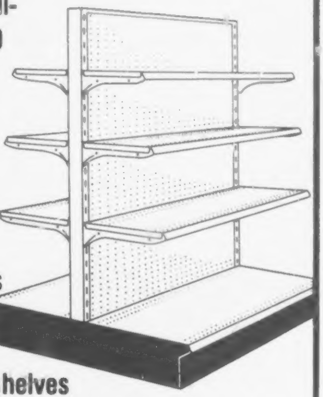

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BIG BUILDERS 1988: SPENDING SLOWS

TOP 25 RETAILERS KEEP CAPITAL EXPENDITURES ON A TIGHTER REIN

Is it an aftershock of last year's stock market crash? Is it a more general uncertainty about just what the future holds in an election year? Or is it an admission that the pundits may be right, and that the United States really does have enough stores already?

Whatever the cause, retailers are spending less on construction this year. While last year Dayton Hudson ranked as the nation's biggest retail spender, investing $876 million for capital expenditures, this year May Department Stores takes over the No. 1 spot with estimated expenditures of only $660 million.

In total, this year's Top 25 Big Builders are investing $7.2 billion in capital expenditures, a decrease from last year's $7.4 billion.

Though spending may be down, the roster of the Top 25 retail companies ranked by additions to gross square footage points to tomorrow's Big Builders.

Wal-Mart retains the No. 1 ranking, and the next four players all appeared on last year's list as well.

At No. 6, though, is Phar-Mor, a brand-new player in the Big Builders sweepstakes. Other new names on this year's gross square footage rankings include Silo, Burlington Coat Factory, Lowe's, Drug Emporium, Costco and Jamesway.

In total, the 1988 Big Builders will be adding 58,527,980 sq. ft., down from 1987's 66,606,398 sq. ft. (1988 figures exclude any major store acquisitions).

What the rankings do not illustrate fully, however, is that while growth may have slowed for some of the big-store operators, there is a host of retail companies with smaller stores that are rapidly adding new units.

They include companies such as Brookstone, Williams-Sonoma, The Sharper Image and Blockbuster Video (along with a long list of other video rental "superstore" operators).

What these aggressive builders have in common is that they do not sell apparel. Yet the slowdown in that business, though curtailing the plans of start-up apparel retailers, has not had a dramatic impact on the building plans of already well-positioned chains.

For example, although the fortunes of Columbus, Ohio-based The Limited suffered badly both from weak apparel sales and from the impact of last year's Black Monday stock market crash, the company still will add 1,500,000 sq. ft. of new store space this year.

Including The Limited's acquisition of Abercrombie & Fitch would add still another 168,000 sq. ft. to the total. This is up slightly from last year's 1,475,000 sq. ft.

Slated for 1988 is the opening of 50 Limited stores (including a number of larger 20,000 sq. ft. "superstores"), 79 Limited Express stores (some now featuring menswear as well as women's apparel), 60 Lane Bryants, 31 Lerner stores, 13 Lerner Woman stores and 96 Victoria's Secrets.

Many of the new Victoria's Secret stores, such as the recently opened unit in Washington, D.C.'s Union Station, are designed to showcase the chain's new line of home and personal fragrances. The chain even will feature a new line of men's undergarments.

The Limited's plans for Victoria's Secret illustrate an industry-wide trend. Like smaller specialty store operators that are finding success by catering to a well-defined market niche, the bigger players now are seeking out new niches where they can put their experience to work.

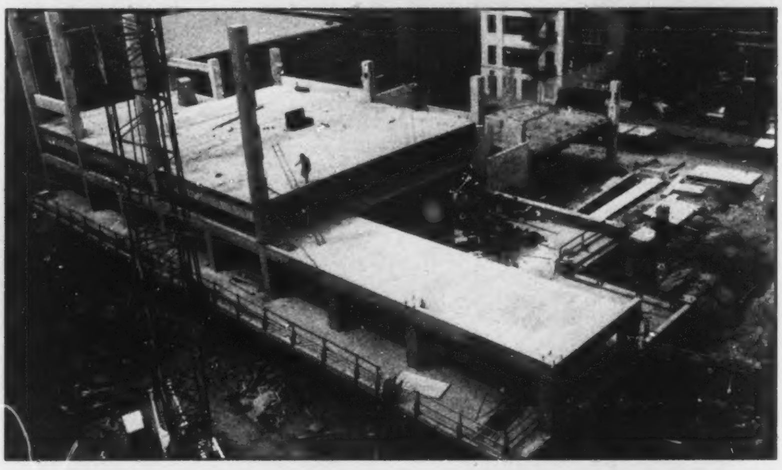
Another example is The Gap. Hurt last year by the apparel slowdown (as well as by some internal prob-

Capital expenditures

	1988 (000)	1987 (000)
1. May Dept. Stores	$660,000	$800,000
2. K mart	650,000	600,000
3. Dayton Hudson	600,000	876,000
4. Wal-Mart	522,000	404,000
5. Dillard	510,000	256,000
6. J.C. Penney	450,000	350,000
7. Sears	400,000	355,000
8. American Stores	370,000	289,000
9. Kroger	350,000	460,000
10. Albertsons	325,000	194,000
11. Toys 'R' Us	325,000	200,000
12. The Limited	300,000	245,000
13. F.W. Woolworth	288,000	244,000
14. A&P	200,000	150,000
15. Supermarkets General	170,000	160,000
16. Melville	182,000	130,000
17. Walgreens	160,000	130,000
18. Winn-Dixie	154,000	149,000
19. Giant Food	140,000	93,000
20. U.S. Shoe	110,000	165,000
21. Fred Meyer	100,000	80,000
22. Lowe's	100,000	102,000
23. Ames	90,000	50,000
24. Carter Hawley Hale	80,000	15,000[1]
25. The Gap	70,000	68,000

[1] For half-year only, due to changes in accounting practices

Source: *Chain Store Age Executive* research and company annual reports



Gross square footage added

	1988	1987
1. Wal-Mart	12,200,000	14,531,000
2. K mart	6,562,000	6,766,000
3. Dayton Hudson	3,880,000	9,640,000[1]
4. Kroger	3,165,300	3,250,000
5. Toys 'R' Us	2,945,000	2,727,000
6. Phar-Mor	2,375,000	N/A
7. May Dept. Stores	2,265,000	3,430,000
8. Home Depot	2,100,000	1,400,000
9. Dillard	1,995,000	602,000
10. Melville	1,848,100	2,200,000
11. Ames	1,730,000	1,377,000
12. F. W. Woolworth	1,695,150	1,306,000
13. J. C. Penney	1,600,000	3,448,500
14. Albertsons	1,500,000	1,600,000
15. Silo	1,500,000	775,000
16. The Limited	1,463,980	1,475,047[2]
17. Hills	1,280,000	1,200,000
18. Burlington Coat Factory	1,257,750	1,170,000
19. Sears	1,200,700	700,000
20. Lowe's	1,110,000	1,080,000
21. A&P	1,100,000	502,000
22. Hechingers	1,000,000	900,000
23. Drug Emporium	1,000,000	750,000
24. Costco	900,000	500,000
25. Jamesway	8[illegible]5,000	627,000

[1] 1987 number reflects acquisition of Target Stores in southern California from Gemco
[2] Does not reflect acquisition of Abercrombie & Fitch

Source: Chain Store Age Executive research and company annual reports

lems of its own), the San Bruno, Calif.-based company nonetheless has announced plans to open 45 Gap stores this year.

More significantly, it is continuing the rapid expansion of its Gap Kids chain, adding 35 new stores this year (29 were opened in 1987). The chain, which sells basic children's clothes—such as jeans, T-shirts and sweatshirts—is finding a ready welcome in regional malls.

Going slightly more upscale in appeal, last year The Gap launched another new format, Hemisphere. Selling a mixture of men's and women's apparel in highly stylized stores, it opened three Hemispheres in 1987. Eight more are on tap this year.

Despite recent negative publicity, management is continuing to open new Banana Republic units as well, although at nowhere near the rapid pace of years past.

The chain opened 27 Banana Republics in 1987. Fifteen will debut this year. The stores will get a new, broader merchandise mix that features more colors and more lines beyond the basics.

Most of the nation's largest Big Builders are achieving that status this year not only because they are expanding existing operations, but also because they are launching new retail concepts.

Wal-Mart is among the most adventuresome. By the end of 1988, the Bentonville, Ark.-based company will operate more than 90 million sq. ft.

This year's plans call for the addition of an estimated 12,200,000 sq. ft., slightly below last year's 14,531,000 sq. ft.

Included in this year's totals are two new hypermarkets (each approximately 225,000 sq. ft.) and 18 Sam's Wholesale Clubs, averaging 100,000 sq. ft.

In addition, the company expects to add 125 Wal-Mart discount stores in 1988. Three existing Wal-Mart stores, meanwhile, will be reconfigured into the new larger Wal-Mart Super Center concept (with stores averaging 100,000 sq. ft.).

Troy, Mich.-based K mart, which takes over the No. 2 spot on this year's ranking by adding 6,562,000 sq. ft., is devoting considerable resources expanding both its core businesses and launching new ones.

While K mart's own hypermarket concept, American Fare, is not slated to open until early 1989, the discount chain is launching new ventures, including both an office supply warehouse and a sporting goods warehouse.

In addition, K mart will open 18 Builders Squares (averaging 80,000 sq. ft.), 34 PayLess Drug Stores (25,000-30,000 sq. ft.) and 94 Waldenbooks (3,000 sq. ft.).

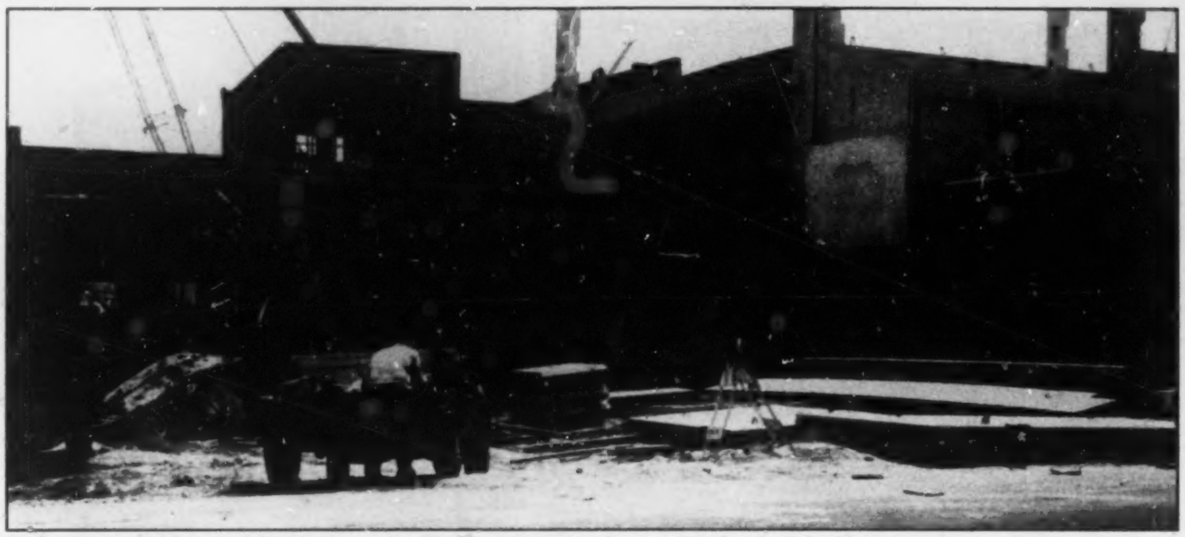
Waldenbooks is experimenting with a number of new store concepts targeted at specific consumer markets. These include Waldenkids, Waldensoftware, Waldenbooks and More and Brentanos.

Experimentation also is taking place within K mart stores themselves. These include efforts to make smaller K mart stores more competitive by redesigning floor plans and displays.

In addition, K mart is creating "little stores within a store" with the goal of increasing customer service and sales in certain key merchandise areas such as small appliances, home electronics and cameras. These categories now form a new "Electronics Department" staffed by full-time service personnel.

K mart was among the first of the giant retailers to begin diversifying into specialty businesses, but the company is no longer alone.

Dallas-based J. C. Penney is investing in a number of new specialty



THIS YEAR'S CAPITAL EXPENDITURES: TOP 25 BIG BUILDERS ARE INVESTING $7.2 BILLION

retailing ventures.

Early this year Penney opened the first two In Detail bed and bath shops. In addition, it operates 12 Tezio cosmetics shops, and is beginning to open Mixit shops for juniors (some operating within traditional J. C. Penney full-line stores).

The company purchased the Units women's specialty shops and rapidly is expanding that chain.

Chicago-based Sears, Roebuck, meanwhile, has begun devoting the resources of its Merchandise Group to more than simply continuing to remodel existing Sears stores and adding new ones. In total this year, the company plans to add 1,200,000 sq. ft., up from last year's 700,000 sq. ft.

With the acquisition of Western Auto earlier this year, joining specialty store operations San Antonio-based EyeCare Centers of America and Minneapolis-based Pinstripe Petites, it is a sure bet that these operations will be the recipients of a goodly portion of Sears' 1988 capital expenditures budget of $400 million.

Sears has made it clear that it intends to continue to expand its specialty store businesses, including the opening of freestanding McKids children's clothing stores.

When it comes to Sears stores themselves, not only is the company wrapping up plans to open urban, neighborhood units, but also it has begun the revamping of its consumer electronics and home appliance offerings into the new Brand Central concept (*Chain Store Age Executive*, October 1988).

Sears, though, may be somewhat late in bidding on a winner in the consumer electronics sweepstakes. Many electronics chains faltered badly last year as demand weakened.

Only one, Silo, makes this year's list of Gross Square Footage Big Builders, with plans to open 1,500,000 sq. ft. of new space, up from last year's 775,000 sq. ft.

Silo's expansion plans, no doubt, are fueled not only by its own success, but also by its acquisition last year by British-based Dixon Group.

Richmond, Va.-based Circuit City, ranked 24th on last year's list with 805,000 sq. ft. of new space, drops off of this year's with only 500,000 sq. ft.

New retail formats, meanwhile, are moving up the list. For example, three membership warehouse operators make it to the Top 25 Gross Square Footage Big Builders rankings this year, compared to only Pace in 1987.

Home Depot, whose 10th anniversary coincides with a decade of growth for home center warehouse retailing, this year is planning its greatest single-year expansion. The company plans to add an estimated 2,100,000 sq. ft. of space, up 50% from last year's 1,400,000 sq. ft.

There is no doubt that the continuing wave of mergers and acquisitions in the retail field is making way for new companies to appear among the Top 25.

After all, in this year alone, Campeau Corp. picked up Federated Department Stores, American Stores made a bid for Lucky Stores, and Herbert and Robert Haft made bids for both Stop & Shop and Walgreens. In the future, other names are likely to disappear from the Big Builders rosters in similar fashion.

Another outgrowth of merger and acquisition mania is the number of firms leaving the public market altogether. Stop & Shop and Supermarkets General (not to mention once mighty Safeway) which had appeared on prior years' lists have all taken the private route.

The heavy debt burdens usually incurred by these chains makes rapid expansion, at least in the near term, almost impossible.

All this is changing the make-up of the retail industry's capital expenditures budget. In other words, what many of the new Big Builders have in common is a "warehouse" approach to building.

Cost per square foot to build warehouse-type stores is considerably lower than that of department stores and upper-end apparel specialty retailers.

Still, both ends of the retailing spectrum are continuing to invest in new store space. Companies clearly are more selective than in the past, with many chains preferring this year to open stores in existing market areas, rather than to try to enter new ones.

Market dominance now is a widely-accepted strategy and in the future, it may be the key to which firms continue to have the wherewithal to remain on the expansion path. ■

—**Jacquelyn Bivins**

Chain Store Age
EXECUTIVE

SPECIAL REPORT

A DECADE OF CHANGE

1978-1987

A revolution is occurring in retailing. And, though there is no blood running in the streets, there are many casualties, both physical and emotional, to structures and people.

It is as if a neutron bomb has been detonated. Venerable store names and companies have been ravaged and wiped out. Others have been bleached bone dry of any similarity to their once proud pasts.

There have been no reported suicides from the lopping off of thousands of retail jobs. But retailing today is a shell shocked community. No job is safe. No company is safe.

The last 10 years have produced a barrage of events that have transformed the landscape of retailing as companies merge, acquire, divest, go private, go public, go out of business. New formats emerge, expand, mature. Old formats evolve, or decline.

The last decade has been marked by social and technological shifts that have been as explosive as the end of World War II and the vast societal changes that followed. Relationships have changed between all key players in the retailing dynamic – between retailers and customers, retailers and suppliers, retailers and developers, retailers and government, retailers and workers and between retailers and retailers.

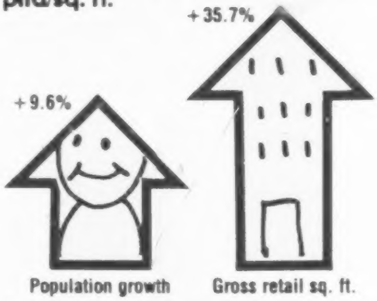
In the pages that follow, *Chain Store Age Executive* highlights the major trends and events of the last decade and takes a wary look to the future of retailing on the threshold of the 1990s.

CURRENTS OF CHANGE: TRENDS THAT SHAPED RETAILING

The store that broke the shopper's back. Back in 1978, according to the International Council of Shopping Centers, there were 19,200 shopping centers equaling 2.498 billion gross square feet of leasable area. They produced $283 billion in sales. That meant that the 222 million Americans each had the equivalent of 11.2 feet of personal selling space where they bought goods at the rate of $113 per capita/sq. ft.

Ten years later there were 30,600 centers totaling 3.7 billion gross square feet. Sales amounted to $584 billion. Since the population had risen to 243 million, per capita space equaled 15.2 sq. ft. and sales per capita/sq. ft. were $158.

Selling space outstripped population growth '78-'87 but productivity remained stagnant at $113 per capita/sq. ft.



Source: International Council of Shopping Centers and U.S. Census Bureau

Thus, though the population increased 9.6%, per capita retail space went up nearly four times as fast, 35.7%. Looking at the sales changes ***after adjusting for inflation*** shows that while total spending went up 47.7%, sales per capita/sq. ft. ***remained the same.***

Some states are more overstored that others. Delaware has a per capita average of 33 square feet of shopping center space. Florida, Colorado and Arizona are right behind it at 32. California has only 21, New York just 13. But the least developed is South Dakota with 9. Other key states are Texas 25, Georgia 24, Massachusetts 19, Illinois 18, Pennsylvania 17, and Michigan 15.

The vanishing middle. The rich get richer, the poor get poorer and the middle gets squeezed. That's what Michael Dukakis is saying, and when it comes to retailing, he's right. Stores catering to the upper end or the lower end of the customer spectrum have done well. Stores positioned in the middle, Sears Roebuck, & Co., being the prime example, have fared poorly.

Sears, J.C. Penney, Montgomery Ward, K mart, and a host of middle of the road department stores succeeded through earlier decades by being jacks of all trades but masters of none. The strategy of serving the broad customer base of middle America came apart during the last 10 years. The nation changed demographically and psychographically.

To appeal to the new consumer, specialty stores, and pinpointed departments like The Cellar in Macy's, took shopping from the bland to the exhilarating. The Limited's visual merchandising and unique products set the pace for apparel sales. Home centers became a force in hardware and building supplies, prompting Sears to rethink its merchandising and Ward to virtually abandon the field. Specialty stores have come to dominate virtually every merchandise category. Even supermarkets reacted by introducing specialty departments—bakeries, flower shops, and delis.

everything
co
The Crate and Barrel
1988 Best Buy Collection.

Who needs a store, anyway? Shopping at home began more than 100 years ago with the first of the great catalog merchants, Aaron Montgomery Ward. But its heyday had long since passed until societal and technological changes made non-store retailing exciting again. The advent of the dual income household made disposable time as much a consideration as disposable income. After working all day, the missus just didn't have the time, energy or inclination to tramp through stores. *But she did have money.* And through the brilliantly illustrated and explained catalogs that flooded her mailbox, she was able to buy from companies who understood her. Understood her because they made use of modern computer technology that targeted specific household buying habits. Non-store retailing is now a $56 billion a year industry, having doubled in size in 10 years to include everything from food to housewares, toys to electronics. Aside from catalogs, the segment includes direct response mail stuffers inserted into monthly bills, the most controversial element – television shopping shows – and the most underdeveloped, electronic interactive shopping.

ran's
Domestications
INHOME
THE SOPHISTICATED AND AFFORDABLE APPROACH TO LIVING

Sale of the century. Sometime during the last 10 years a new calendar was printed *just* for retailers. It was a calendar that had "sale" written on every month, every week, every day. Textiles had white sales every month. Price breaks for bathing suits Memorial Day instead of Fourth of July. Double, no triple, coupons to rope the customers in. The reasons for the plethora of price promotions may have seemed justifiable when they began, but the net net result is that today customers are conditioned to buying on sale. Indeed, studies have shown that anything less than 25% off is not considered a sale.

What's a retailer to do? More and more are adopting the tactic that has worked well for Toys "R" Us and Wal-Mart – everyday low prices. Even Sears is testing the idea in Wichita. Of course, Wal-Mart and Toys "R" Us are operating from historical strength and integrity. It requires executive fortitude to change from a promotional formula to everyday low prices.

The discount evolution. Ten years ago it would have been fashionable to talk about the discount *revolution*. Today, it is the ***evolution*** of the discount store that commands attention. Discounting has evolved from being just a full-line format. Dominated by a handful of full-liners benefiting from the troubles of smaller regional chains, the discount industry has sprouted offshoots including off-price apparel, warehouse wholesale clubs, and hypermarkets. Catalog showrooms, however, stagnated.

Discounting also became important in drug stores with deep discount drug stores a la Drug Emporium. And the already price conscious grocery business looked for pricing advantage from warehouse stores.

Diversification, and its sometimes blues. Wal-Mart, K mart and F.W. Woolworth are examples of companies that have diversified with success from their mainstream businesses. Zayre, Service Merchandise and Revco are examples of companies that did not, though, with Zayre it appears that the new enterprises have performed better than the neglected discount store base.

Regardless of the outcome, diversification has been a major strategy during the last 10 years, and ironically, now is one of the reasons why leveraged buyouts are possible. New owners believe they could pay for their acquisition by selling off some of the diversified divisions.

Successful companies diversified into areas they knew well. Almost all of Wal-Mart's and K mart's efforts, with the latter's Waldenbooks division the only exception, have been in different fields of discounting, such as warehouse wholesale clubs or discount drug stores. Woolworth, once it closed its Woolco discount division, leaped ahead with specialty chains from its Kinney Shoe division, and with specialty stores carved out of niches from its variety store merchandising history.

Hardly any major retailer failed to take some action on the diversification scene during the last decade. Retailers either entered the fray, as did Federated, Kroger, Sears, and Penney, or got out of it, as did Montgomery Ward, Lucky and Supermarkets General.

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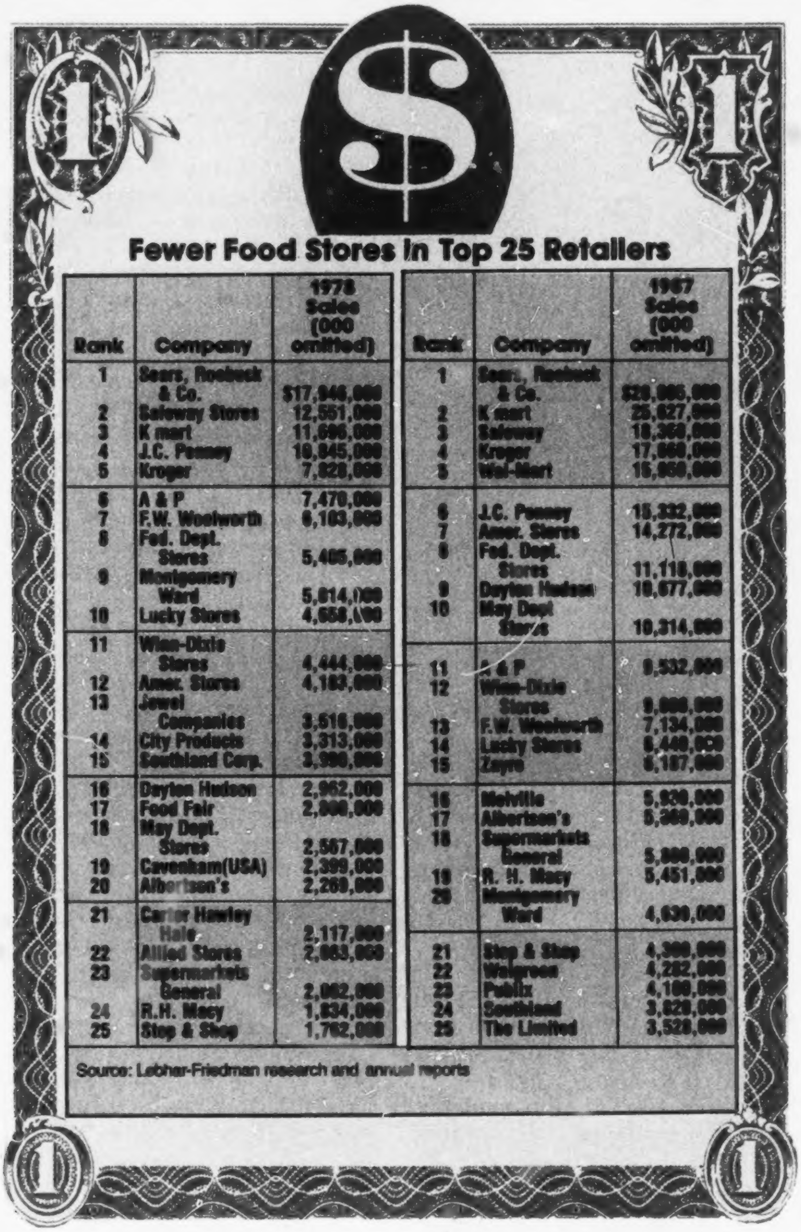
Sale
Save
Sale
Sale
99.99

Sale prices have to be at least 25% off to stimulate customer interest.



Fewer Food Stores In Top 25 Retailers

Rank	Company	1978 Sales (000 omitted)
1	Sears, Roebuck & Co.	$17,946,000
2	Safeway Stores	12,551,000
3	K mart	11,696,000
4	J.C. Penney	10,845,000
5	Kroger	7,828,000
6	A & P	7,470,000
7	F.W. Woolworth	6,103,000
8	Fed. Dept. Stores	5,405,000
9	Montgomery Ward	5,014,000
10	Lucky Stores	4,658,000
11	Winn-Dixie Stores	4,444,000
12	Amer. Stores	4,183,000
13	Jewel Companies	3,516,000
14	City Products	3,313,000
15	Southland Corp.	3,090,000
16	Dayton Hudson	2,962,000
17	Food Fair	2,900,000
18	May Dept. Stores	2,567,000
19	Cavenham(USA)	2,399,000
20	Albertson's	2,269,000
21	Carter Hawley Hale	2,117,000
22	Allied Stores	2,083,000
23	Supermarkets General	2,062,000
24	R.H. Macy	1,834,000
25	Stop & Shop	1,762,000

Rank	Company	1987 Sales (000 omitted)
1	Sears, Roebuck & Co.	$28,085,000
2	K mart	25,627,000
3	Safeway	18,360,000
4	Kroger	17,660,000
5	Wal-Mart	15,959,000
6	J.C. Penney	15,332,000
7	Amer. Stores	14,272,000
8	Fed. Dept. Stores	11,118,000
9	Dayton Hudson	10,677,000
10	May Dept Stores	10,314,000
11	A & P	9,532,000
12	Winn-Dixie Stores	9,008,000
13	F.W. Woolworth	7,134,000
14	Lucky Stores	6,440,000
15	Zayre	6,187,000
16	Melville	5,930,000
17	Albertson's	5,869,000
18	Supermarkets General	5,800,000
19	R. H. Macy	5,451,000
20	Montgomery Ward	4,630,000
21	Stop & Shop	4,300,000
22	Walgreen	4,282,000
23	Publix	4,100,000
24	Southland	3,820,000
25	The Limited	3,528,000

Source: Lebhar-Friedman research and annual reports

Brave new financial world. Ten years ago the retail world gasped as Brascan proposed a takeover of F.W. Woolworth that would have resulted in a $700 million debt. Peanuts when compared to today's billion dollar leveraged buyouts and hostile acquisitions. LBOs, IPOs, mergers, acquisitions, buyouts, greenmail. No company was safe from market overtures, or can consider itself safe as long as someone believes its part are more valuable than its whole. Some, like Carter Hawley Hale, have had to face repeated challenges. And size, alone, is no longer a deterrent, given the Safeway LBO and rumors that K mart has been considered a candidate.

LBO activity includes Southland Corp., Supermarkets General, Rickel Home Centers, Channel Home Centers, Jack Eckerd, Revco D.S. and R.H. Macy.

Courtesy of Merrill Lynch, here-with an alphabetical list of companies that made multiple, major acquisitions during the last 10 years. In some cases, an acquiring company later was acquired itself (such companies are printed in bold):

Allied Stores, Amcena, American Stores, Ames, **Associated Dry Goods**, Batus, Best Products, Campeau Corp., Carson Pirie Scott, Circle K, Dayton Hudson, Dillard, Jack Eckerd, **Federated Dept. Stores**, Fleming Cos., A & P, K mart, Kohlberg Kravis, Kroger, The Limited, Lucky Stores, Malone & Hyde, **Marshall Field**, May Dept. Stores, Melville, National Convenience Stores, J.C. Penney, Petrie Stores, Revco D.S., Rite Aid, Sears, Service Merchandise, Southland Corp., Standard Brands Paint, Super Valu Stores, Tandy Corp., U.S. Shoe, Walgreen, Wal-Mart, Wetterau, F.W. Woolworth and Zayre.

The human side of all the financial activity: more than 10,000 retailers let go.

Developers as retailers. Retailers often owned their stores, a condition that made many a balance sheet very attractive when real estate holdings escalated in value. Department store companies even developed and owned shopping centers. During the last decade many companies sold off their properties to reduce their appeal as takeover targets, to concentrate on their primary businesses, or to raise needed capital.

Now new ground is being broken at almost every turn as developers scoop up retailers. Crown American began the trend when it acquired Hess's Department Stores in 1979. A developer of shopping centers in middle markets, Crown American thought Hess's would be a perfect anchor. Hess's has grown from 16 to 71 stores.

Campeau Corp.'s daring acquisitions of first Allied Stores and then Federated have capped a tower of activity by developers. L.J. Hooker, an Australian developer, purchased B. Altman's, Bonwit Teller, Sakowitz and part of Parisian. Taubman Co. owns Woodward & Lothrop and John Wanamaker. DeBartolo joined with Dillard to make an offer for Higbee's.

By securing such prestige nameplates as Bloomingdale's and Bonwit's, developers are hoping to make their projects more attractive. Meanwhile, other developers may find it harder to land the tony stores and some retailers who would like to lease anchors might be locked out.

A choice of stores. Stores that succeeded made a conscious choice. They either became destination stores or stores that provided shopper covenience. Destination stores have distinguishing characteristics. Some provide fashion leadership, as do Bloomingdale's and Crate & Barrel. Some offer price leadership, such as the Price Club, Home Depot and Drug Emporium. Others, such as Nordstrom's, provide extraordinary service. In depth inventory is the point of departure for category killer stores like Sportmart. Stores that chose the convenience route keyed into high traffic locations and developed systems that hastened transaction times and developed inventory management for high velocity items.

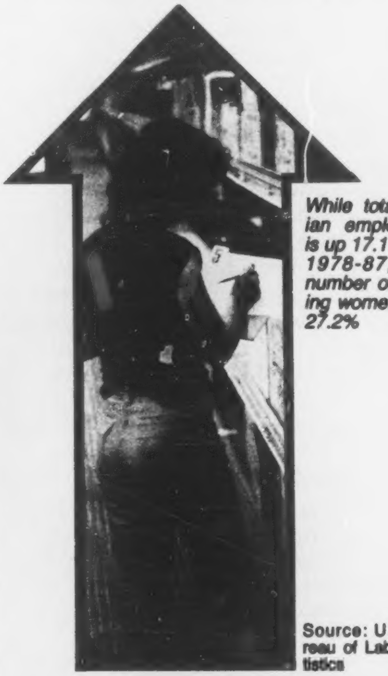
Stores were not the only entities to become destination points. Shopping centers always have been magnets for customers, but in the last 10 years they developed even stronger appeals. Megacomplexes, like those built in Tyson's Corner, Va., and Torrance, Calif., attract tens of thousands each day. Outlet and off-price malls drew shoppers searching for bargains. Convenience, however, seems to be a major trend from developers, too. The fastest growing segment of the shopping center industry is the under-100,000 gross square foot complex.

SERVICE-DESK
SLEEPERS

Destination stores like IKEA attract customers with price and inventory.

Working women. Perhaps no trend has had a more profound impact on retailing than the accelerated presence of women in the workforce. Their liberation from the kitchen into the business world has changed society and the way retailers market. Take toys, for example. More women working outside the home has, in the opinion of Charles Lazarus, founder and ceo of Toys "R" Us, created a class of customer that buys toys year-round because of guilt, guilt that they are not home with their children.

Ten years ago 41.2% of all workers 16 year and older were women. A decade later women comprised 44.8% of the work force. Seen another way, women's participation in the labor pool have vastly outpaced overall employment gains. The total number employed increased 17.1% from 1978 to 1987, according to the Bureau of Labor Statistics. The total number of women employed, meanwhile, raced ahead by 27.2%. Their greater presence in the work place, particularly in professional positions, as much as any other factor was a key reason why mini skirts failed to excite customers to buy during the last year.



While total civilian employment is up 17.1% from 1978-87, the number of working women is up 27.2%

Source: U.S. Bureau of Labor Statistics

PLUMBING
ELECTRICAL
BUILDING MATERIALS
PANEL

Superstores seized *market share by advertising sharp prices and deep inventory.*

Pledge of Allegiance. George Bush may want to start each day with a mandatory Pledge of Allegiance, but American consumers are far from a loyal lot. Rather, studies have shown that the overlapping of merchandise from one store to another, and from one store concept to another, has provided more intercept opportunities and divided customer loyalties. No longer does the customer have to go to a drug store for a wide range of analgesics; a supermarket or discount store will do fine. And electric coffee makers can be bought in combo stores, thank you. K mart has acheived $500 in sales per sq. ft. from test stores featuring a full packaged deli department. Most of its stores regularly carry 177 food skus and as many as 1,100 skus during promotions. Food sales have increased 16%, 29% and 30% during the last three years.

Retail success has come from stealing market share from competitors, not from pure store growth. And that can be accomplished only because shoppers are more than ready to transfer their allegiances to different stores.

Similarly, consumers are less loyal to specific brands, though they still want recognizable name brands that provide reliable quality at reasonable prices.

Superstores, the powers in retailing. From the depths of bankruptcy Toys "R" Us emerged in the late 70s as the prototype of the superstore, the type of retailer that so dominates its competition that it becomes a year-round headquarters store for its classification of merchandise, thereby driving out marginal operators from carrying product even during the height of a selling season. Sharp pricing, huge inventory selection at all times, and heavy advertising cemented the market positions of such stores as Circuit City, Best Buy, Bookstop, Staples, Home Depot, IKEA, and Highland Appliance.

To be sure, some superstores did get touched by Kryptonite. Crazy Eddie and The Federated Group are two examples of electronics chains that wavered. Overall, however, superstores have been a dominant merchandising force.

Retail technology. Ten years ago front end scanning was so new in supermarkets that monthly totals were kept on how many stores installed them. Today, it's news if a store doesn't put them in. And not just supermarkets – with the acceptance of UPC as the common denominator discount stores are rapidly embracing scanners, as are some department stores.

The last decade has also brought almost universal acceptance of planograms (many computer generated) and daily inventory monitoring via sophisticated POS systems. Direct Product Profitability is enhancing supermarket, drug store and discount store operations by measuring the true earnings contributions of each sku. Even department stores are talking about using DPP.

Chains like Penney and Wal-Mart have installed headquarters-store satellite communications networks. Computer to computer linkups with suppliers (electronic data interchange) have reduced the ordering time and improved inventory flow and sell-through. The total effect is that many retailers have been able to sharpen their product assortments more rapidly and improve their operational ratios.

The pig in a python, better known as the baby boom making its way through life. The generation conceived after World War II has, is and will continue to affect everything from school construction, merchandise trends, fast food, Club Med, and retirement villages. Stores like The Limited and The Gap grew up with them. Stores like

Sears and A & P failed to and seemed to totter on the brink. A & P has regrouped. Sears is still trying, trying to believe that baby boomers are now part of the middle Americana that Sears always serviced. Of course, these middle Americans are different than any other generation. Fewer are part of that great Sears stereotype family of two parents (one working) with two kids living in a detached single family house.

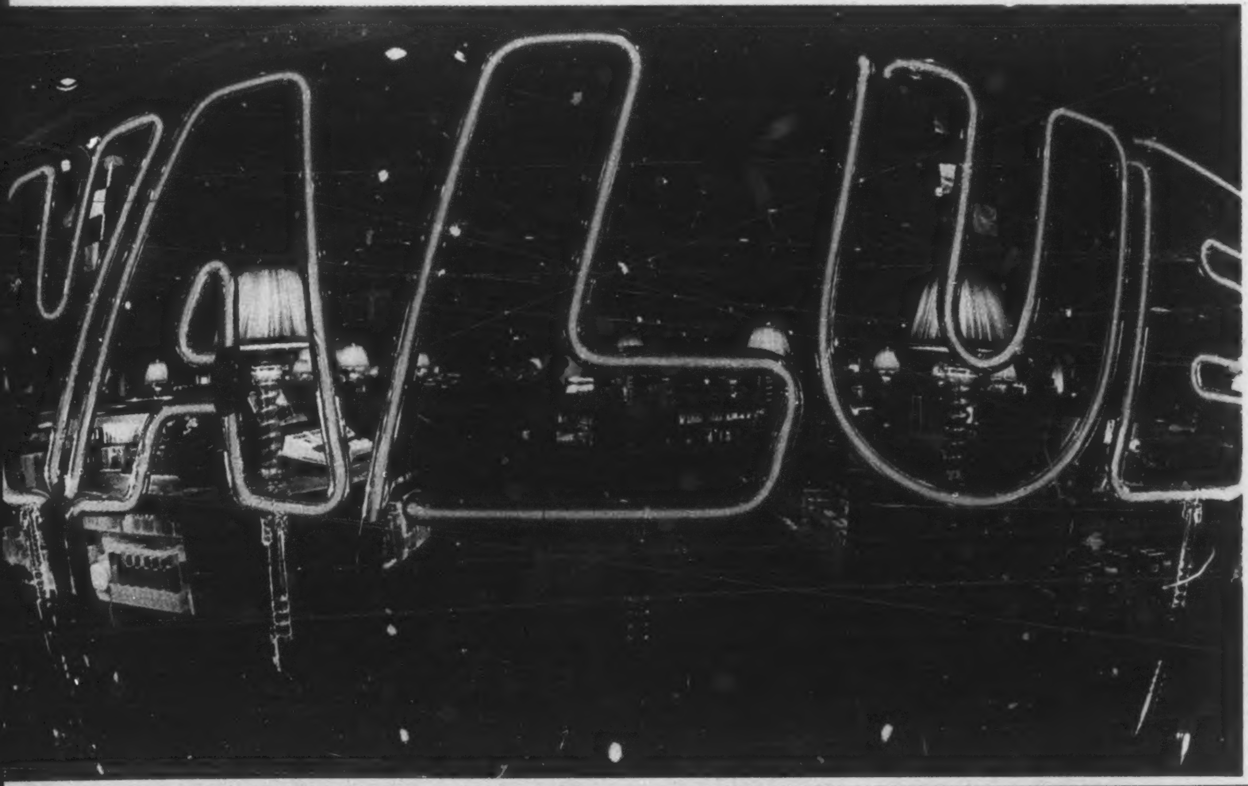
Population by Age Breakdown
(in millions)

Age Group	Year 1987	Year 1995	% Chg	Year 2000	% Chg
Under 10	37	38	2.7	36	(5.3)
10-19	34	36	5.9	38	5.6
20-29	42	36	(14.3)	35	(2.8)
30-39	40	44	10.0	41	(6.8)
40-49	28	38	35.7	42	10.5
50-59	22	25	13.6	31	24.0
60 & over	41	44	7.3	45	2.3
Total	244	261	7.0	268	2.7

Source: Bureau of Census mid-range projections and Prudential-Bache Securities, Inc.

The aging of the baby boom generation will affect merchandising and operations.

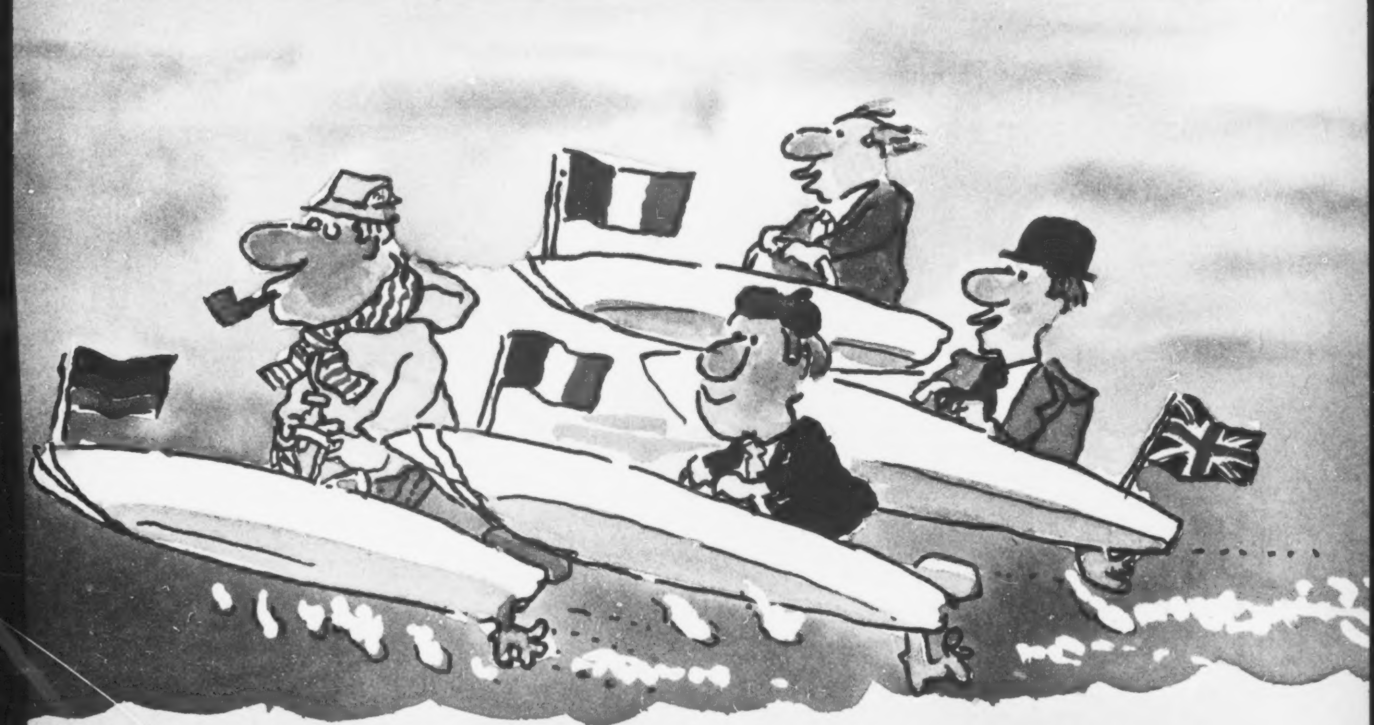
Value. No term has been more appropriated over the last 10 years. Once thought to be no more than price divided by quality, value came to mean much more. It encompasses a host of attributes that stores must possess and distribute to enhance the total offering. It includes, in descending order of importance, having quality merchandise, good prices, good location, the look of the merchandise, an enjoyable shopping environment, sales/specials, clean stores, a good return/exchange policy, good assortments, good inventory position, knowledgeable sales help, and good advertising. Those stores that have demonstrated the ability to deliver good value have been the ones that have remained strong over the years. During the last two years, better customer service has become an industry catch phrase as retailers look for ways to distinguish themselves.



LOOKING TO THE FUTURE: THREE TRENDS TO WATCH

America for sale . . . cheap! The British are buying, and so are the French, Germans, Italians, Australians, Canadians, and Japanese. It may be helping the federal balance of payments, but the fact remains that American retail units increasingly are showing up in foreign hands, and not with the disastrous results of Agache-Willot's dalliance with Korvettes or Hugo Mann's experience with FedMart. The Tengelmann Group's belief in A & P is paying off (its 53% ownership of A & P is worth about $870 million, compared to its $125 million investment) and Grand Union is performing well for Generale Occidentale of France. Australian developer L.J. Hooker and Canadian real estate magnate Campeau have invested heavily in department stores. Dylex (Canada) bought specialty units but is backing off of late. Japan's Jusco picked up the slack, acquiring The Talbots from General Mills. And Britain's Marks & Spencer outfitted itself with one of the more prestigious U.S. names, Brooks Brothers.

Foreigners are not just content to buy. They are also exporting, as the proliferation of Benetton shops on seemingly every urban street corner can attest. Carrefour has brought its hypermarket ideas to America, first as part of a joint venture with Super Valu (Biggs) and then as a store in its own right. With the dollar weaker abroad and with



expectations that business climates are better here than in their native countries, offshore investors will continue to find U.S. retailing attractive.

Of course, the purchasing frenzy is not confined to foreigners. Retailers, with prime real estate holdings, depressed stock prices compared to overall value, little stock ownership in corporate hands, and diversified or far-flung operations that could easily be packaged and sold, are prime targets for raiders. The Dart Group Corp., led by Herbert and Robert Haft, are making their way up and down the alphabet, with actions aimed at Dayton Hudson, Kroger, Safeway, Stop & Shop, Supermarkets General, Walgreen, F.W. Woolworth and Zayre.

The raiders often succeed even when they fail to gain control as they generally come away with millions of dollars in greenmail or profits from the sale of their appreciated stock. While some retailers benefit from the exercise by making cutbacks that perhaps should have been made without the takeover threat, many organizations suffer from lower productivity reduced by worker distraction. And customers suffer, too, as management, instead of being retailers, becomes pre-occupied with asset management and wall Street.

Don't look for any abatement of the trend. Even last year's stock market crash, which did save Dayton Hudson from the Hafts, has not snuffed out the threat.

Labor pains. The go-go years of retail growth of the 60's and 70's and into the 80's had more than brick and mortar at its foundation. Someone, after all, had to work the stores – bag the groceries, ring up the sales, count the inventory, drive the forklifts, design the stores, punch in the computer codes.

For the most part, particularly at store level, that someone was the product of the baby boom. But now, at least until 1995, retailing will be victim of the baby bust. Retailers will find themselves critically short of sufficient low cost employees to work what seem to be round the clock store hours. Experts are predicting shortages of 1 million workers. Organizations will have to recruit more aggressively with more appealing compensation packages.

At the same time, retailers will have to overcome added costs that will emanate from Washington. Though the minimum wage bill failed to pass this year, some increase is expected to win congressional approval, perhaps next year. And Congress is considering other legislation that could add to operators' costs with such bills as minimum health benefits and minimum parental and medical leaves. Already this year the Feds outlawed almost all polygraph tests.

C3PO and R2D2, retailers of the year, 1995. Not as far-fetched as it may sound. Artificial Intelligence Expert Systems are coming to retailing and will have the capability to interact with customers and suppliers. They'll be able to sell specific products based on *customer* wants, plan merchandise assortments and store design based on retailer plans, schedule staff and much more. The emerging systems will be high tech-high touch, particularly for consumers who will be able to inspect the merchandise on the spot, thus overcoming one of the main drawbacks to interactive in-home selling systems.

Technology also will be more universally available. No longer a tool of just the very big retailer, technology such as scanners and Electronic Data Interchange will be common to even one or two unit shops. Given the future labor shortage, merchants will have to turn to the C3POs and R2D2s of the future.

Department stores are the fashion leaders but trail discount and specialty stores in productivity.

DISCOUNTERS AND SPECIALISTS WIN MERCHANDISE BATTLE

During the last 10 years department store retailing has suffered a 2% *reduction* in inflation adjusted sales per square foot. Sales per square foot of selling area, as compiled by the National Retail Merchants Association, went from $103 in 1978 to $141 last year. But after subtracting the effects of inflation, as measured by the inventory price index for department stores prepared by the Bureau of Labor Statistics, sales per square foot in 1987 actually *fell* to $101.

Pre-tax income for department stores *declined* to 4.36% of sales from 5.32%.

During that same time span, specialty store sales increased an inflation adjusted 8.1% to $219 per net square foot. Pre-tax earnings rose to 3.68% of sales from 3.19%.

Meanwhile, full-line discount store sales per square foot jumped an inflation adjusted 46.7% to $127 and pre-tax earnings soared to 4.68% of sales from 3.70%.

The productivity results in large part bring into focus the changing nature of general merchandise retailing over the last decade as discount and specialty stores gained greater market penetration and department stores lost shares. Sears, Roebuck & Co., J.C. Penney and Montgomery Ward, with their sights set mainly on the traditional middle class family, also gave up market share to stores above and below their target customer.

The transfer of customers from the large national chains and department stores to more tightly focused discounters and specialists is partly a result of a decade of unprec-

edented format development, expansion, evolution and, at times, contraction in the discount and specialty fields.

Among the entries have been off-price apparel stores like Ross Stores, superstore electronics chains like Circuit City, wholesale warehouse clubs a la Price Club and Costco, hypermarkets like Hypermart USA, and category killer stores modeled after Toys "R" Us in such fields as sporting goods (Sportmart).

Ten years ago discount retailing mainly meant full-line stores, the likes of K mart, Wal-Mart and Target. Their sales totaled an estimated $50 billion. Those stores are still around today, but discounting has gone far beyond those pioneers. Today, discounting's $132.5 billion volume includes off-price apparel stores ($9.9 billion), warehouse wholesale clubs ($11.8 billion), and specialty discount stores ($19 billion). Full-line discount store volume hit $84.9 billion last year.

Catalog showrooms experienced setbacks during the last decade. After a period of consolidation into two major entities, Service Merchandise and Best Products, the catalog showroom industry hit the skids as the two largest organizations veered from their original concepts and lost millions. Overall, the showroom industry has failed to grow significantly in the last 10 years and is now a $6.9 billion business.

Despite the travails of the catalogers, discounting remains the predominant form of product distribution in general merchandise retailing. But the number of key full-line players, just as in the catalog showroom segment, continues to shrink. Mid-size regional chains have had difficulty competing against the giants. The attrition rate has been heavy. In the last two months alone, two billion-dollar companies, Gold Circle and Zayre, have been forced to sell out.

So far, Target and Ames have been the most direct beneficiaries of the shakeouts. Target has expanded by the demise of Ayr-Way, Fed-Mart, Gemco, and, now, Gold Circle. Ames, which is buying Zayre, earlier bought Neisner, Kings and G.C. Murphy.

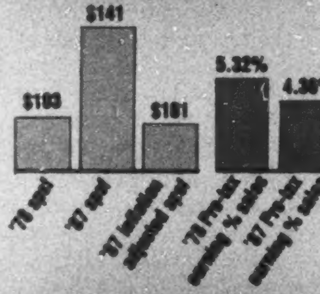
K mart and Wal-Mart have grown mostly from within during the last decade. Actually, K mart's discount store total has remained fairly constant as the company concentrated on upgrading store presentation and merchandise. Though Wal-Mart did pick up some 100 Kuhn's Big K stores in 1981, it grew mainly through an aggressive store construction program.

Both K mart and Wal-Mart have grown through diversification, K mart through acquisitions, Wal-Mart through internal startups of new divisions. Wal-Mart has been faster off the mark to enter the warehouse wholesale club business

Productivity report

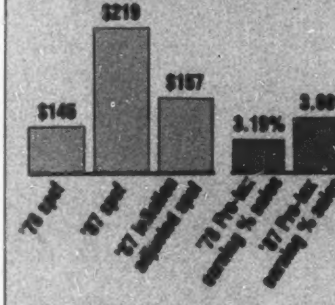
SUMMER
LIVING

Department stores decline

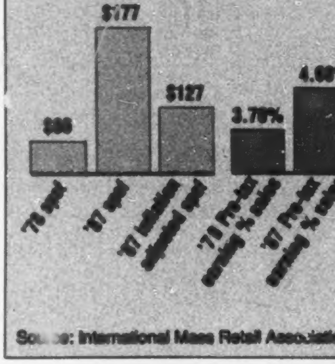


THE
Disney
STORE

Specialty stores improve



Discount stores soar



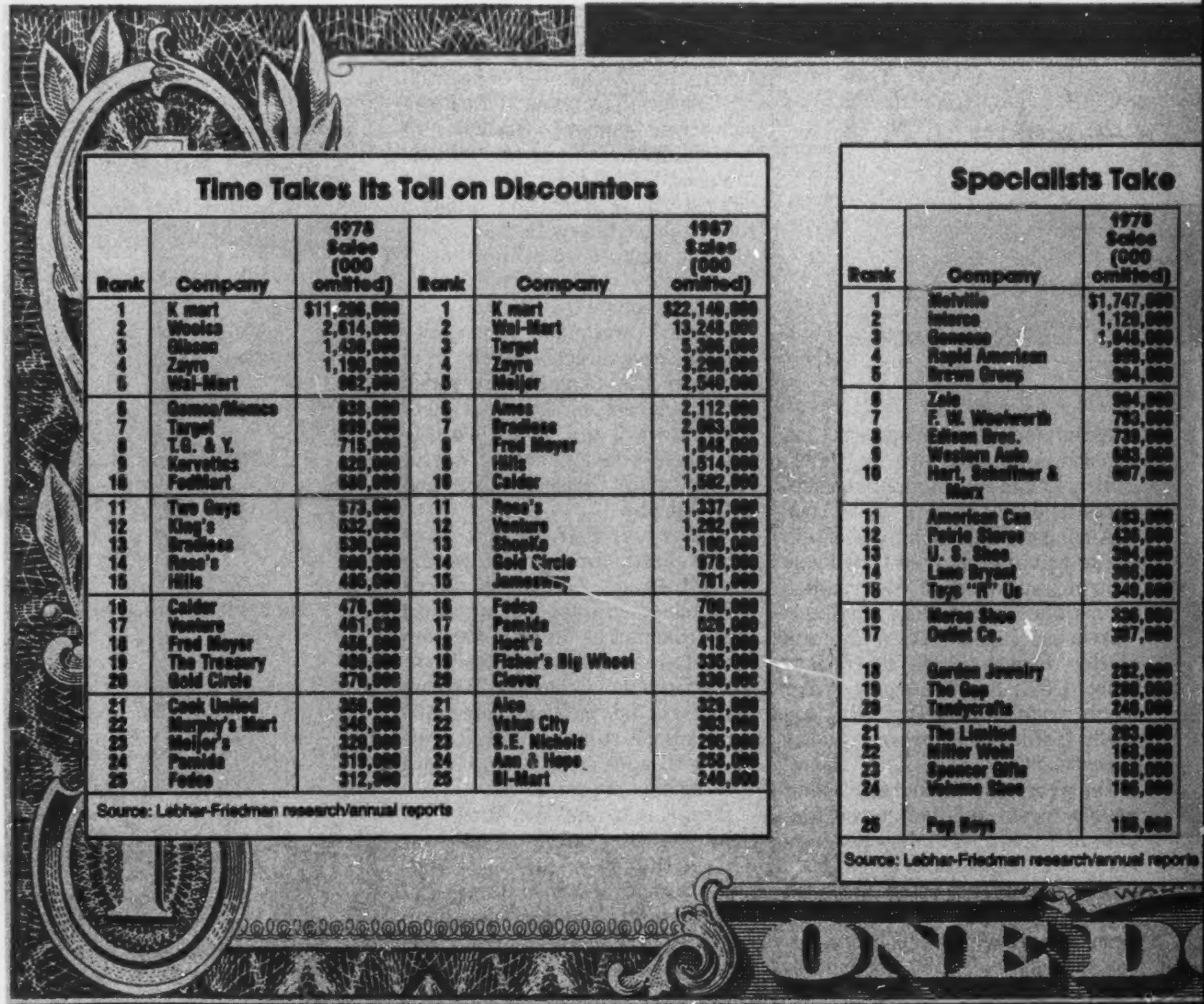
Source: International Mass Retail Association and the hypermarket field. It also has been technologically more advanced than K mart and the rest of the discount field in distribution, MIS capacity, and communications from headquarters to stores and from retailer to vendor.

During the last ten years discount stores worked hard to increase their soft lines sales by actively seeking branded merchandise and by improving the quality of their ready to wear. With the upgrading done by Penney, many discounters were able to raise the taste levels of their offerings. Still, their primary focus remained hard lines where they are the primary outlet for home textiles, housewares, and sporting goods.

Apparel remains the life and breath of department stores, so much so that many are slicing more and more hard lines departments out of their stores. But the apparel focus has shifted during the last 10 years from a spotlight on designer labels to private labels. Why? Because each department store needed to display merchandise that differentiated itself from its competition. And better margins were needed to overcome the rampant price promotions that resulted from the competition from off-price stores.

Consolidation, both intra and inter company combinations, have marked the 10 year period. Moreover, store size reduction programs have occurred in many downtown locations as retailers sought to improve productivity by lopping off both excess management and space.

At the start of the decade department stores were almost catatonic in their response to the off-price challenge. They seem to have rebounded but now are apoplectic about the Nordstrom effect. The phenomenal success and growth record of Nordstrom, based on pinpoint local merchandising and supported with outstanding customer service from a commissioned sales staff, have department stores re-evaluating their operations. Many are re-writing their customer service and compensation programs. But it is still unclear if these latter day converts will



Time Takes Its Toll on Discounters

Rank	Company	1978 Sales (000 omitted)	Rank	Company	1987 Sales (000 omitted)
1	K mart	$11,208,000	1	K mart	$22,140,000
2	Woolco	2,614,000	2	Wal-Mart	13,248,000
3	Gibson	1,436,000	3	Target	5,306,000
4	Zayre	1,190,000	4	Zayre	3,290,000
5	Wal-Mart	982,000	5	Meijer	2,540,000
6	Gemco/Memco	838,000	6	Ames	2,112,000
7	Target	809,000	7	Bradlees	2,063,000
8	T.G. & Y.	715,000	8	Fred Meyer	1,848,000
9	Korvettes	629,000	9	Hills	1,514,000
10	FedMart	580,000	10	Caldor	1,502,000
11	Two Guys	573,000	11	Rose's	1,337,000
12	King's	532,000	12	Venture	1,282,000
13	Bradlees	530,000	13	ShopKo	1,100,000
14	Rose's	500,000	14	Gold Circle	978,000
15	Hills	485,000	15	Jamesway	701,000
16	Caldor	478,000	16	Fedco	700,000
17	Venture	461,000	17	Pamida	626,000
18	Fred Meyer	456,000	18	Heck's	418,000
19	The Treasury	400,000	19	Fisher's Big Wheel	335,000
20	Gold Circle	378,000	20	Clover	330,000
21	Cook United	359,000	21	Alco	329,000
22	Murphy's Mart	346,000	22	Value City	303,000
23	Meijer's	329,000	23	S.E. Nichols	295,000
24	Pamida	319,000	24	Ann & Hope	258,000
25	Fedco	312,000	25	Bi-Mart	240,000

Source: Lebhar-Friedman research/annual reports

Specialists Take

Rank	Company	1978 Sales (000 omitted)
1	Melville	$1,747,000
2	Interco	1,120,000
3	Genesco	1,048,000
4	Rapid American	999,000
5	Brown Group	964,000
6	Zale	904,000
7	F. W. Woolworth	793,000
8	Edison Bros.	730,000
9	Western Auto	683,000
10	Hart, Schaffner & Marx	667,000
11	American Can	483,000
12	Petrie Stores	436,000
13	U. S. Shoe	394,000
14	Lane Bryant	366,000
15	Toys "R" Us	349,000
16	Morse Shoe	336,000
17	Outlet Co.	307,000
18	Gordon Jewelry	282,000
19	The Gap	280,000
20	Tandycrafts	246,000
21	The Limited	203,000
22	Miller Wohl	168,000
23	Spencer Gifts	168,000
24	Volume Shoe	166,000
25	Pep Boys	155,000

Source: Lebhar-Friedman research/annual reports

be able to effectively compete with the traditional orthodoxy of Nordstrom's ways.

Nordstrom is a prize jewel for any regional shopping center, and the Seattle-based retailer is making its way east. A new store in Tyson's Corner, Va., is reportedly en route to a $100 million opening year.

But while Nordstrom is a public company, albeit with a sizable family holding, it is becoming the exception. Some of the largest department store entities are now privately owned or part of conglomerates, notably real estate development companies.

Australian-based L.J. Hooker owns B. Altman, Bonwit Teller, Sakowitz, and part of Parisian, while R.H. Macy and Elder Beerman, among others, went private.

Campeau Corp. owns many of the former Federated and Allied Stores department store divisions, having bought them in two celebrated acquisitions which eventually led to the dismemberment of the companies as they were once constituted. To pay off the debt incurred, Campeau has sold off most of the two companies' non-department store units and several of the big stores, too, notably Foley's to May and Bullock's to Macy.

While Nordstrom has been the role model for customer service, other role models have existed for inventory position, private label and chainlike buying, and for state of the art information systems.

Dillard has been the prototype for the latter. Its sophisticated POS terminals have permitted it to buy underperforming divisions from Associated Dry Goods, Dayton Hudson, Macy and Allied and turn them into moneymakers. In 10 years Dillard has grown from a backwater retailer with $331 million in sales from 41 units into a formidable $2.2 billion, 138 store empire.

Equally adept and disciplined, Mercantile Stores has remained successful by staying in secondary markets. Its tight controls include central buying and a uniform private label program.

Heavily promotional, Macy was the envy of other retailers with its

Hard Lines Tack

Rank	Company	1987 Sales (000 omitted)
1	Melville	$5,930,300
2	The Limited	3,527,900
3	Tandy	3,452,000
4	Toys "R" Us	3,137,000
5	F. W. Woolworth	2,560,000
6	U. S. Shoe	2,167,000
7	Benetton	1,800,000
8	Circuit City	1,350,400
9	Petrie Stores	1,241,500
10	The Gap	1,062,000
11	Western Auto	931,000
12	Herman's	762,000
13	Highland Appliance	753,400
14	Silo	750,000
15	Child World	740,000
16	Charming Shoppes	638,700
17	Dayton Hudson (Lechmere)	636,300
18	Northern Automotive	625,000
19	Hartmarx	588,000
20	Ross Stores	576,000
21	Pep Boys	553,000
22	Phillips Van Heusen	550,000
23	Thrifty Corp.	494,000
24	Burlington Coat Factory	491,000
25	General Mills	490,000

Consolidation Affects Department Stores

Rank	Company	1978 Sales (000 omitted)	Rank	Company	1987 Sales (000 omitted)
1	Federated	$5,405,000	1	Federated	$7,291,300
2	Dayton Hudson	2,961,000	2	May	6,205,000
3	May	2,585,900	3	R. H. Macy	5,210,416
4	Carter Hawley Hale	2,116,600	4	Carter Hawley Hale	2,687,774
5	Allied	2,082,700	5	Allied	2,600,000
6	R. H. Macy	1,834,100	6	Batus	2,300,000
7	Associated Dry Goods	1,605,600	7	Dillard	2,206,347
8	Gimbel Bros.	1,058,900	8	Mercantile	2,155,653
9	Mercantile	922,100	9	Nordstrom	1,920,231
10	Belk	892,000	10	Belk	1,831,000
11	Marshall Field	762,400	11	Dayton Hudson	1,552,300
12	Alexander's	432,600	12	Woodward & Lothrop	911,000
13	Garfinckel's	390,916	13	L. J. Hooker	864,061
14	Strawbridge & Clothier	335,600	14	Carson Pirie Scott	573,000
15	Dillard	331,200	15	Alexander's	523,000
16	City Stores	328,152	16	Hess's	500,000
17	Goldblatt Bros.	304,600	17	Strawbridge & Clothier	461,000
18	Nordstrom	297,629	18	Elder Beerman	420,000
19	Carson Pirie Scott	275,200	19	P. A. Bergner	370,000
20	Woodward & Lothrop	271,000	20	Boscov's	337,000
21	Liberty House	246,000	21	McRae's	330,000
22	Higbee's	188,298	22	Jacobson's	326,672
23	J. W. Mays	180,000	23	Higbee's	310,342
24	Elder Beerman	178,700	24	Younker's	291,000
25	H. C. Prange	172,000	25	D. H. Holmes	275,000

Source: Lebhar-Friedman research/annual reports

Laundry A
WILDBIRD
$3
11
12
5
COMFORTER
18 48
PILLOW
2 96
BLANKET
17 43
BOUNTY
2 $1 30

***Hypermarkets** are part of the segmented discount store industry.*

ability to move tonnage goods. But while Macy had the discipline to take markdowns deep and early, others did not and suffered when they got caught with too much inventory during the economic slowdown of the mid-80's.

Macy also has become a study in microcosm for several other trends that have affected the department store segment. Macy's executives have embraced the philosophy that department store retailing is really a chain store business, that there no longer is a reason for separate, autonomous organizations to exist in many parts of the country.

Accordingly, Macy has united Bamberger's and Macy-New York, preceded by the merger of its Midwest and Atlanta divisions (Macy subsequently sold the Midwest stores to Dillard).

Chain store retailing also meant that Macy could export its stores to cities, such as Miami, New Orleans and Houston, where it never had a presence.

For years Edward Finkelstein, Macy's intense chairman, doggedly defended the company's pursuit of a department store-only strategy. He repeatedly downplayed specialty stores as a potential growth vehicle, saying Macy would stick to its knitting. But even Finkelstein has come around as Macy joined the era of specialization with Aeropostale.

Ten years ago specialty stores already had become formidable competitors. But their influence was mostly apparel oriented, at least in the chain store segment. More than half of the top 25 specialty chains were apparel-based. By the end of 1987, hard lines chains, led by consumer electronics giants like Circuit City and Highland Appliance, had gained parity with the apparel chains in the top 25.

Interestingly, diversification in the specialty store business also has occurred. Not content to be the biggest toy retailer, Toys "R" Us is now the biggest children's wear retailer with its Kids "R" Us chain. The Limited has been the biggest practitioner of diversification, moving from its original juniors chain to a retailer of intimate apparel, large size apparel and now even men's wear.

But not even specialty stores have been immune to problems. Tandy's venture into name brand electronics with McDuff stores and The Gap's initial success with Banana Republic have proved problematic.

Arguably the most troubled chains over the last 10 years have been the massive national chains of Sears, Penney and Ward. Each has struggled to redefine itself, with varying degrees of success.

Each company has gone through top management and strategic changes. The most daring transformation appears to have been made by Ward. Under Bernard Brennan the company has closed its catalog operation, sold off its discount division, let go of thousands of employees, and redefined itself as a series of specialty shops that excluded many traditional lines such as toys and home improvements. It has resurrected itself from being a corporate embarrassment to former parent, Mobil, to the point where it was spun off by Mobil in a leveraged buyout following two years of record earnings, a far cry from the more than half a billion dollars in losses it incurred at the start of the 80's.

Penney's performance over the last ten years has been erratic. Though it never lost money, as did Ward, its profits have waffled up and down as the company grappled with its mission as the largest regional mall tenant in the country. During the early part of the decade Penney sought to compete head-on with department stores and aggressively sought designer labels. It even landed Halston as the keynote of its effort. But the upscaling failed to capture department store and specialty store shoppers and Penney has retreated to a less fashion forward position.

Penney also retreated it headquarters from New York to Dallas as part of a plan to bring the buying organization and top management closer to field operations. About half of Penney's associates work in central and southern locations, with the rest divided evenly between the two coasts. Even before the move Penney had dedicated itself to rapid communication with the unveiling of the first satellite communication network between headquarters and stores.

Penney also has taken a leadership role in interactive shop at home cable television services through its Telaction subsidiary, currently available in homes in suburban Chicago. Sears, too, is involved in electronic shopping experiments. It has sponsored a videodisc version of its catalog and is now part of a videotext program with IBM called Prodigy already available in Hartford, Atlanta, San Francisco, Los Angeles, San Diego, Sacramento and Santa Barbara.

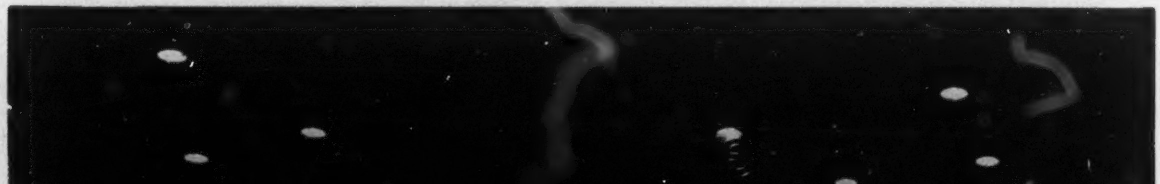
Penney and Sears have been engaged in more than just future competition. Both have proclaimed themselves the only true national department store. But while Penney has chosen to eliminate almost all hard lines from its stores in favor of an apparel and home fashions emphasis, Sears has steadfastly clung to almost all of its core hard lines businesses. And where Penney opened up its private labels for more name brand apparel lines, Sears has been forced to develop its own fashionplates such as Cheryl Tiegs, Arnold Palmer and Stefanie Powers, while reluctantly bringing in national brands in such hard goods categories as electronics.

The problem confronted by Sears, Penney and Ward refuses to go away. Their focus on traditional, homeowning Middle America families failed to keep pace with changing demographics. Being the smallest of the three, Ward may have been faced with the easiest task of turning itself into a specialty-oriented company.

Sears and Penney have dabbled in specialty stores, picking up equity interests or outright buying some chains. But their sheer size makes any acquisition of a less than $1 billion entity a mere footnote on the balance sheet. Of late, Sears has been emulating Ward's approach of opening specialty units dedicated to small parts of its business. But unless major restructuring occurs within Sears Tower, the emphasis will remain on the full line stores. With its emphasis on home goods, Sears' business has been tied to housing starts and home turnover. It has suffered with the increasing inability of families to afford individual home ownership.

The middle of the road stores also suffer during times when there are been no hot products to pull customers into stores. They lack the display and merchandising excitement that specialty stores and more upscale department stores can create.

That is the condition today, though not so during most of the past decade. Perhaps not since the post World War II decade, when pent up consumer demand gorged itself on major and small appliances marketed toward a population that began enjoying the American dream of single family home owner-



Montgomery Ward is evolving its stores into specialty units, a strategy that Sears now appears to be contemplating.

ship, has there been such a prolonged period of product development and public acquisition.

It seemed that almost every department had its individual star.

More than any other product, the video cassette recorder turned the consumer electronics department into a must visit for all customers. The technology alone allowed astute merchants to create eye-focusing displays. Who can forget the dominant effect of a wall of televisions, each blaring the Star Wars theme as Luke Skywalker challenged the Evil Empire? Or the rapt faces of young and old shoppers as they held their breath while Indiana Jones fought snakes and Nazis?

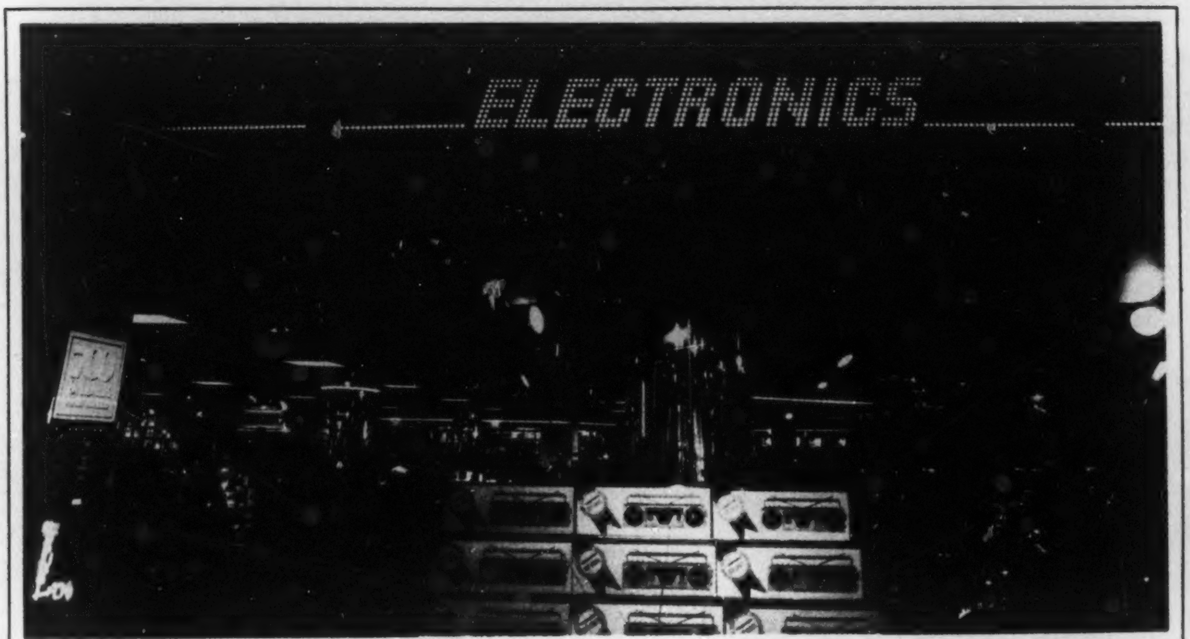
The Japanese, with some assistance from other Asian countries, and a little less help from European and American manufacturers, provided a non-stop assault on the public's electrodes and pocketbooks. Hand-held calculators. VCRs. 13" color TV screens. Projection TVs. Stereo TVs. Camcorders. Walkmen. Telephones. Telephone answering devices. Personal computers. Boomboxes. Radar detectors. Word processors. Keyboards. Blank VCR tape. Pre-recorded VCR tape. Compact disc players. Blank audio cassettes. Electronic typewriters. Fax machines. Personal copiers. Video games.

***Polo shirts and jeans** captivated consumers during the last decade.*

In 1978, consumer electronics sales amounted to some $12 billion. In 1987, CE sales had been galvanized into a $41 billion business, a 242% increase. Electronics, however, did not have a monoply on hot items. Just as the VCR highlighted the electronics frenzy, so did the food processor in the housewares department. With the advent of Macy's Cellar-like boutiques sweeping the country, trendy retailers sought products to go along with the upscale image. The food processor filled their requirements, not once but twice, the second time with the downsized, Oscar-style units.

Sporting goods departments flexed their exercise equipment muscles, while 35mm cameras, both single lens reflex and autofocus models, became the focus of photo/camera buyers, outlasting the disc and instant cameras as the format of choice.

Apparel. One hardly knows where to begin. Each season is meant to be different. But if there was one product that captured the spirit of the last 10 years more than any other it was the polo shirt. The polo shirt emblazened with any animal, from Izod's alligator to Caldor's raccoon to Penney's fox, but most commonly with some equine variation. To show an animal was to immediately display your social sta-



***From VCRs to home computers,** electronics wizardry dominated hard lines sales increases.*

tus. And some chose polo shirts without any creature as an even more profound symbol of snobbishness or self-assurance.

And to wear with your polo shirt . . . designer jeans. Jordache. Calvin Klein. Gloria Vanderbilt. Ralph Lauren. Bill Blass. Guess! In prewashed, stone-washed, acid-washed textures.

Designers have been around for decades, but it was only in the last 10 years that they became plebeian, available to anyone who could read a fanny label and not just to those with discerning taste in formal ready to wear.

Designer boutiques sprouted up in most department stores, and on the sidewalks of many urban streets as knockoffs and counterfeit merchandise tempted the pedestrian.

The proliferation of in-store boutiques is blamed by many for the paralysis that grabbed hold of department stores. By handing over their square footage to designers, department store executives abandoned their roles as merchants and became landlords. Soon, all stores looked alike, causing confusion in the customers' eyes. Sameness destroyed a store's uniqueness, forcing retailers to resort to sales to promote business. And the decline from pricing integrity began.

Retailers of all stripes are embracing an everyday low price strategy which has been a cornerstone of the success of companies like Wal-Mart and Toys "R" Us. Target and other discount stores are emulating the leaders, and even Sears is testing the concept in its Wichita stores.

But it seems doubtful that department stores will be able to adopt everyday low pricing. An attempt to implement the strategy in home textiles failed earlier this decade.

Instead, department stores appear to be locked into high initial markups, followed by deep markdowns (studies have shown that consumers feel anything less than 25% off is not a sale). The net net result may well be a continuation of the trend in which department stores fail to improve productivity.

Buyouts and Competition Affect Supermarkets

CHUCK STEAK 1.29
seafoo

Supermarket chains have been "on sale" as much as their merchandise.

Item–The A&P is once more trying to buy Delchamps, the 100 store Mobile, Ala., chain. It has sweetened its last-year's bid by $3.00, making its offering $35 million more than the previous price of $176 million.

Item–The Kroger Co. tried to place $62.5 million of money market preferred stock. The chain is in the midst of a massive restructuring as it tries to thwart a two-pronged acquisition attack.

Item – American Stores $2.5 billion buyout of Lucky Stores was further delayed when a Federal judged extended his temporary order blocking the sale. The sale, though approved by the Federal Trade Commission, was challenged by California's attorney general who feared the limiting of competition in Southern California. This merger, coupled with Von's acquisition of the area's 172 Safeway, would tend to limit competition and raise prices.

A day in the life of the supermarket business. But more. A symbol of the turmoil and change that has racked the industry for the greater part of the decade. It's genesis was in those twilight years of the late 60's when The Skaggs Drug Co. of Salt Lake City, Utah, partnered with Albertsons, Boise, Idaho, to open a chain of combination stores that spread from Texas to Florida.

These were the new breed of stores, both in size and merchandise offerings and they set the pace for the next two decades and their influence will be carried on into the next.

Safeway Retains Top Spot In Supermarkets

Rank	Company	1978 Sales (000 omitted)	Rank	Company	1987 Sales (000 omitted)
1	Safeway	$12,551,000	1	Safeway	$18,300,000
2	Kroger	7,828,000	2	Kroger	17,660,000
3	A & P	7,470,000	3	American Stores	14,272,000
4	Lucky Stores	4,656,000	4	A & P	9,532,000
5	Winn-Dixie Stores	4,444,000	5	Winn-Dixie Stores	9,000,000
6	American Stores	4,183,000	6	Lucky Stores	6,440,000
7	Jewel Cos.	3,516,000	7	Albertson's	5,869,000
8	Food Fair	2,800,000	8	Supermarkets Gen.	5,800,000
9	Grand Union	2,399,000	9	Stop & Shop	4,300,000
10	Albertson's	2,269,000	10	Publix	4,100,000
11	Supermarkets Gen.	2,062,000	11	Vons	3,200,000
12	Stop & Shop	1,763,000	12	Grand Union	2,746,000
13	Dillon	1,755,000	13	Food Lion	2,407,000
14	Publix	1,730,000	14	Ralphs	2,000,000
15	Fisher Foods	1,462,000	15	H. E. Butt	2,000,000
16	Vons	1,175,000	16	Dominick's	1,740,000
17	Giant Food	1,089,000	17	Fred Meyer	1,700,000
18	First National	955,000	18	First National	1,500,000
19	Waldbaum's	941,000	19	Giant Eagle	1,400,000
20	Fred Meyer	927,000	20	Hy-Vee Food Stores	1,400,000
21	National Tea	918,000	21	Furr's	1,200,000
22	S. M. Flickinger	878,000	22	Bruno's	1,100,000
23	Ralphs	852,000	23	Weis Markets	1,100,000
24	Borman's	784,000	24	Shaw's	1,083,000
25	Red Owl	745,000	25	Borman's	1,050,000

Source: Lebhar-Friedman research/annual reports

Sixty thousand square foot stores with a 60/40 split between food and non-food, they became a potent tool in the emerging demand for one-stop shopping. Their influence on the industry was endemic.

There were immediate followers who saw the advantages of the high-turn, low-gross food with the higher gross but slower turning general merchandise and tried to emulate the Skaggs/Albertson combos. But even those who didn't, and followed the more traditional route were opening bigger but fewer stores.

America was changing. The housewife was rapidly becoming a working wife, a trend that accelerated during the inflation-ridden years of the late 70's and early 80's. By the mid-80's more women were working than staying at home. Her time was at a premium and she expressed her demands at the check-out counter. Surveys of the period showed that she was shopping less often, but buying more during each visit.

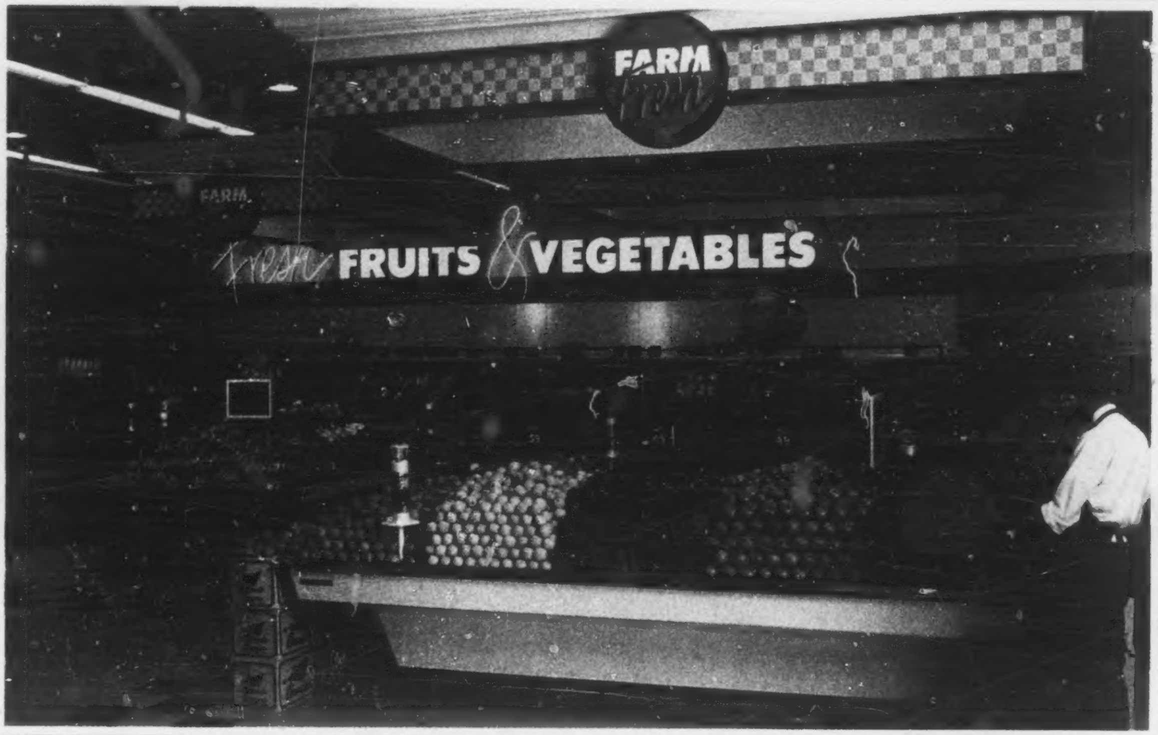
The stage was set for the tumultuous stage that followed. Faced with changing customer demands, real sales just keeping up with inflation, increasing competition from strong regionals, increasing operational costs, the position of the nationals was none too strong. The cost of change came high.

Among the first to feel it was the venerable A&P company which with 1,932 stores in 1978 had already fallen dramatically behind Safeway in both stores and sales. Under successive administrations A&P was shrunk further in size and market scope and was a skeleton of its greatness when it was acquired by Tenglemann Warehandelsgesellschaft in 1980.

James Wood, brought over as CEO from Grand Union, immediately started a cleanup program closing hundreds of stores. He has since opened hundreds of new stores and renovated more than 75% of the survivors. Since 1982 A&P sales per square foot have increased by 17% to $239 but still lag behind the industry average by $199.

Today the A&P is a company transformed. It has used tax credits and an overfunded pension pool, spending over $500 million to acquire companies that added $3 billion of its $7.4 billion in sales. It purchased 63 Kohl supers in Wisconsin, 92 Dominion stores in Ontario, Can. And it strengthened its place in the metro New York area when it bought Shopwell/Food Emporium and Waldbaums. It has bolstered its position in the Philadelphia and Washington, D.C. markets with Superfresh stores, opened Future stores in the more affluent areas and a full style warehouse store called Sav-A-Center.

But the industry was in play. And probably the most enigmatic player of them all during the 1980s was L.S. Skaggs who was the driving force behind the growth of the Skaggs/Albertson powerhouse. When it became apparent Skaggs might be ab-



***Lucky Stores was to have been** the crown jewel in the American Stores empire stretching coast to coast.*

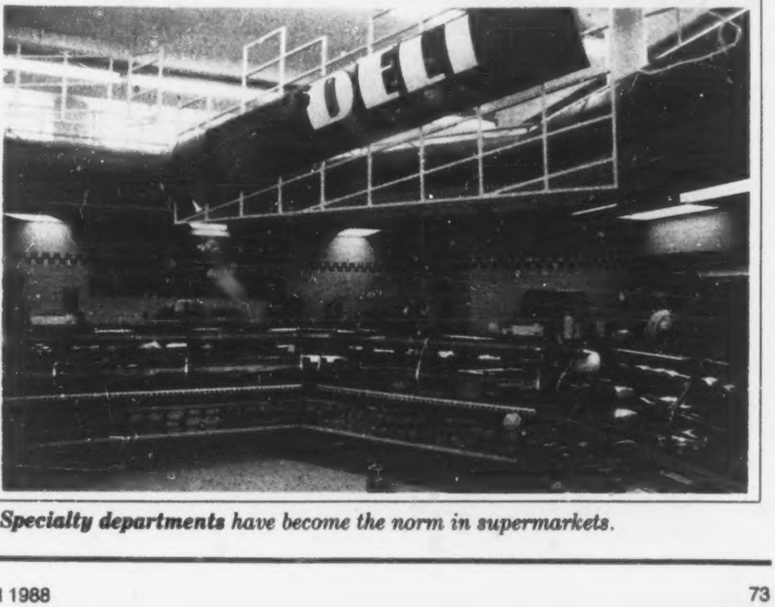
sorbed by the volume driven Albertsons, a chain of which Skaggs' father had been one of the founders, the partnership was dissolved with the assets divided. Skaggs had his foot in the grocery business, taking over the stores in the southwest.

That was the beginning. After two abortive attempts to capture the Jewel Companies, Skaggs turned his eyes eastward to the old-line American Stores Cos. which suffered from a dated plant and was buffeted by strong regionals, such as Pathmark. Skaggs became the American Stores Cos. and not too long after acquired the coveted Jewel Companies.

This gave Skaggs the national coverage that he craved, stretching the realm of American Stores from Boston Harbor with the Star Markets there to Alpha Beta -part of the American Stores deal –to Buttrey markets in the Northwest. In addition the Osco Drug chain, which had been part of Jewel, was added to the American stores arsenal. American Stores now reigned as the number three food chain with sales in 1987 of over $14 billion, in sales, 957 stores and assets of close to $1.8 billion.

The Lucky acquisition was to be the jewel in the crown. But until a final decision of the court American Stores must operate Lucky apart from Alpha Beta, foregoing the economies of scale it had hoped for. Currently, American Stores, runs neck and neck with Kroger as the biggest chain. The acquisition of Lucky would place it far in the lead.

In 1986 Safeway went private the LBO route after an aborted



***Specialty departments** have become the norm in supermarkets.*

***Despite more service departments,** labor costs have decreased from 13.5% to 12.7%.*

takeover attempt by the Dart Drug Group of Washington, D.C. Safeway was the first of the supermarket chains that Dart put into play. Its later forays into Stop & Shop of Boston and then Pathmark in New Jersey forced LBOs by their managements. Kroger, despite a restructuring in 1986 to forestall a takeover attempt, is at this writing under siege by Dart, but like other chains will go into debt and wrap itself in a blanket of privacy.

Safeway has emerged from its LBO, led by Kohlberg, Kravis, Roberts & Co. leaner and meaner. In a recent interview Safeway spokesperson Felicia del Campo told *CSA*, "The leveraged buyout has changed the way Safeway is managed. We concentrate more on cash flow and less on earnings. We are tracking our spending more closely."

Faced with a debt of $5.3 billion, of which more than $4 billion resulted from the buyout, the chain was able to pay off $1.4 through the divestiture of some of its divisions. Within a year and a half it sold off some 764 units in nine divisions, most recently its Houston group with 99 stores. It currently operates some 1,500 stores.

Similar reorganizations faced Stop & Shop and Pathmark following their LBOs. The pattern had been established: sell off the noncore assets, drastically cut back on capital expenditures, operational and management expenses and rely on the cash flow to keep the business afloat. The recovery of the A&P is the hoped for pattern to be followed.

Changes in the marketplace and the way it must be served have been as dramatic as the changes in the chain structures that serve it. And these changes will continue to impact in the decade ahead.

Population is growing at a rate of less than one percent annually. Food sales won't be buoyed as in the past by an ever growing customer base. Currently population is growing at the rate of .8%, roughly half of the growth rate of the 50's and 60's. Sales in the decades ahead will have to be bolstered by new products and services.

However, changes in the population's age distribution will have a decided impact on food sales. As the population shifts by age groupings, the greatest increase will be in families headed by persons 35 to 54 in the decades ahead. As Prudential-Bache points out, "The greatest population expansion will be among the higher income bracket individuals. Since households in this age group tend to spend more for food at home than the younger age groups do, the impact on the food industry of the 'aging' of our society should be beneficial."

The percentage of disposable personal income spent on food at home has decreased from 12.3 to 10.3 in the past ten years with the decrease being decidedly greater than that of the 10 previous years. At the same time more is being spent on food eaten away from home. The impact of this will be leavened somewhat as more and more chains expand their prepared food offering.

Competition for the food dollar has become increasing intense. It not only comes from restaurant business which has increased its share of food dollars in the last decade, but from a diversified marketplace ranging from drug stores to hypermarkets with another half dozen variations thrown in between.

Convenience stores have undergone a phenomenal growth in the past decade, capturing an ever large share of the disposable food dollar. As the number of supers shrink, the convenience store is where shoppers go between their visits to the supermarket. Drug stores and discount houses in recent years have added a basic convenience store mix.

But the major impact on the conventional supermarket will come from the more broadly based superstores, more than double the size of the average supermarket and from the newly reintroduced hypermarkets with their vast product mix. Wal-Mart's Hypermarkets USA is already having an impact with its 200,000 foot units in the three markets that it serves, and Carrefour, the French import, has gained widespread recognition in the Philadelphia market, even though it had not advertised to it.

K mart is now readying its own hypermarket operation and if it follows the pattern it has with its other diversified operations, this chain will certainly be an important factor in the food equation, observers point out.

How will supermarket chains fare under these conditions. Probably quite well. The larger chains have already stripped themselves down as a result of buyouts or buyout threats. And the regionals such as Byerly's, the eight-store Minneapolis/St.Paul chain, Giant Food of Washington, D.C., or Weis Markets, Sunbury, Pa., continue to show their strength, generally producing a profit close to twice that of the large chain average.

Chains are getting closer to their customer and catering to their changing needs. The emphasis in most major supers on broad arrays of fresh produce, more variety in the dairy and meat cases, salads bars and service delis with their offerings of prepared foods are all indications of the direction in which the industry is going.

Today's food chains, for the first time in their history are in a position to control the retail equation. Due to the technology at their disposal they have more complete command of all facets of their operations especially in their ability to analyze and control their merchandise mix both in their distribution centers and their stores. Their ability to control the mix and its movement is having a profound effect on supplier relations. For the most part it is forging a closer relationship between vendor and supermarketer for their mutual profitability.

The same forces that are changing the nature of relationships in the general merchandise and other fields are beginning to impact on the food business as it seeks to improve its productivity and profitability. DPP has become the buzzword of the business as technology gives the industry a new way of looking at profitability. It enables one to judge contribution and cost from the point of manufacturing to the point of sale.

Supermarket chains have been encouraged by their ability to control labor costs. Over the last few years labor costs have been reduced from 13.5% to 12.7%.

The supermarket industry of the late 1980 is a different business than it was at the decade's dawn. It has gone through a transformation that have affected few others to the same degree. There is little question but that the consolidation in the industry will continue in the decade ahead, that continuing changes in food technology and product development will continue to alter the supermarket mix and its profitability, and that major advances in distribution concepts and technology will continue to drive the industry.

But whether forces will tend to make the industry more profitable than in the past is the big ponderable.

1600
Kroger
OFFERS
SERVICE PLUS
7
6
5
4
3
2

***Front end scanning**, the standard for supermarkets, is finding acceptance in discount and drug stores.*

Opportunistic Approach Propels Drug Store Chains

POWER
HAR-MOR
BUYING
Save
Up To 50% Everyday
POWER
PHAR-MOR
BUYING
PHAR-MOR
Far More
50

Deep discount drug stores shake the complacency of drug store operators.

Last year was a tumultuous year for the nation's drug chains. But then each year of the past decade hasn't been much different for chains large and small as they vie for position in a changing marketplace.

And they face challenges far different than they did 10 years ago. New breeds of competition such as the deep discounters, combination stores and most recently the advent of the hypermarket all put pressure on traditional drug chains. Their defense has been to put an even greater effort into bolstering their core businesses. They have done so with more than modest success. A recent Nielsen study showed that drug store sales of toiletry and remedial items are increasing at a rate twice their growth in food stores.

Last year chain drug volume grew to $32.6 billion, an 8% gain over the year before and three points higher than overall retail sales. The fast paced growth of the drug chains, inflation fueled in the early part of the decade, has seen their sales go from $12.5 billion to its current $32.6 billion and their share of market going from 50% to 61%.

The chains have invested heavily in store plant. While there are fewer chains today --there's been a marked decrease in the number of four to ten store companies -- 11 and more store companies went on a store building spree. Between 1977 and 1987 the large chains, while declining in numbers as a result of acquisitions and consolidations, increased the number of stores they operated from 11,800 to over 19,000.

The drug chains' share of market in basic health and beauty aids has been eroding steadily since they first hit the supermarket shelves in the '50s. But for the first time last year, according to Nielsen, the important HBA category jumped six percent, twice the growth rate of supermarkets. However, most observers feel that this reversal is a temporary one with supermarkets and combo stores driving for higher sales in this as well as other key drug categories. And newly entered on the competitive scene are the new hypermarkets with their emphasis on general merchandise and those lines of products that are at the very heart of the chain drug store strength.

At the same time discounters, in their continuous trade-up drive, bring pressure on HBA products and even in the the pharmacy department. K mart for one has over 1,000 Rx departments in its nationwide network of stores and keeps adding them as additional stores come on line. Of course, K mart's infatuation with the drug field goes further than the operation of Rx departments within its stores. In 1985 its purchase of Pay Less NW, Wilsonville, Ore., signaled its serious intent to become a major player in the chain drug store business. It's driven Pay Less sales to $1.2 billion last year and went ahead with an intense store opening program that saw it open 47 stores in 1987, with another 30 planned for year. Wal-Mart has pharmacies in half of its thousand stores and more recently had experimented with its Dot deep discount drug stores.

But in terms of sheer competitive threat nothing has shaken up the complacency of the chain druggists than the advent of the deep discounters, those rogue retailers who can generate decent profits on operating grosses of less than 20%.

As the drug chains concentrate more and more on their core business some have divested themselves of their secondary operations. Walgreen, long the chain drug leader in the restaurant field not only has taken its food operations out of its drug stores but most recently sold off its Wags coffee shop operation to the Marriott Corp. It has also closed its Globe stores and shed itself of its franchise operation. Rite Aid has sold off its toy stores, got out of the novelty store business, Revco sold off the profit-draining Odd Lot operation, Carls stores in New York and 10 non-retail divisions. Perry Drug sold its auto-after care operation as well its Chicago store operations.

Chains with a clear marketing and operations strategy have fared well in the past years. Walgreen continues to outpace the drug store industry in sales and profitability ending its fiscal 1987 with $4.1 billion in sales and $103 million in net earnings. A major part comes from its prescription business –the largest in the USA – which grew nearly 30% to $1.1 billion. Considering that a decade ago its Rx sales were no more than 15% of sales this is a remarkable achievement. Last year's market crash did not slow Walgreen down. The chain will spend $130 million for expansion and modernization this year.

But the master's title for growth by acquisition has got to go to the $1.7 billion dollar Rite Aid chain, making it the largest chain with over 2,200 stores. Last year in one swoop it picked up the 365 store Gray Drug and Drug Fair stores, a $115 million dollar deal that entrenched the Pennsylvania chain in the midwest but helped it to consolidate its position on the eastern seaboard. This followed by five months Rite Aid's takeover of 218 SupeRx, Gray Drug and Drug Fair stores in Maryland, Georgia, Florida and Alabama.

In seven months Rite Aid had swelled its store count 45%. Then in the spring of this year it got a lock on the Kentucky market when it purchased the Begley Co. with 43 drug stores, 140 dry cleaning stores and a distribution center in Richmond. Rite Aid has rarely varied from the store pattern that has been its mark since its inception in the mid-60s; small stores with a concentration on a basic mix of branded goods interspersed with a broad assortment of private label goods in the fast moving categories. In addition the chain is known for its tight controls and the efficiency of its distribution system.

Longs Drug Stores, Walnut Creek, Calif., continues to be the leader in sales per store registering an average volume of $7.7 million in each unit. It is also, after several flat years, trying to regain its position as a profit leader. Last year it was able to boost its earning by 28% to $49.2 million on sales of $1.17 billion for its best performance ever. Tight operational discipline and, even more importantly, a withdraw-

Walgreens Increases Lead In Drug Field

Rank	Company	1978 Sales (000 omitted)	Rank	Company	1987 Sales (000 omitted)
1	Walgreens	$1,140,000	1	Walgreens	$4,154,000
2	Eckerd	1,108,000	2	Osco	3,047,000
3	Skaggs Cos.	1,000,000	3	Eckerd	2,750,000
4	Revco	896,000	4	Rite Aid	2,486,000
5	Thrifty	759,000	5	Revco	2,317,000
6	Long's	664,000	6	Longs	1,772,000
7	Rite Aid	640,000	7	Thrifty	1,400,000
8	Osco	525,000	8	Peoples	1,396,000
9	SupeRx	522,000	9	CVS	1,324,000
10	Sav-On	458,000	10	Pay Less NW	1,200,000
11	Peoples	404,000	11	Hook-SupeRx	1,090,000
12	Pay 'n Save	388,000	12	Thrift	879,000
13	Thrifty	348,000	13	Drug Emporium	860,000
14	Pay Less NW	346,000	14	Pay 'n Save	726,000
15	Pay Less (Calif.)	276,000	15	Perry	550,000
16	CVS	275,000	16	Fay's	500,000
17	Drug Fair	251,000	17	Phar-Mor	460,000
18	K mart	225,000	18	Brooks	396,000
19	Dart	206,000	19	K & B	370,000
20	Gray	203,000	20	F & M	330,000
21	Pathmark	200,000	21	Medicine Shoppe	325,000
22	Hook	184,000	22	Genovese	314,000
23	Cunningham	166,000	23	Big B	249,000
24	Adams	154,000	24	Snyder	226,000
25	K & B	150,000	25	Arbor	215,000

Source: Lebhar-Friedman research/annual reports

WHY PAY MORE!
AQUA NET HAIR SPRAY

Toiletries, cosmetics, proprietary medicines and prescriptions will be core areas.

al from marginal markets contributed to bottom line improvement.

Mergers and LBOs have rocked the chain drug industry in the past few years. Probably the first indication that the drug chains were enticing to outside raiders was when Herb Haft, ex-druggist and entrepreneur, made a play for the floundering Eckerd Drug Co. Eckerd management staved off the Dart ploy with an LBO that left it heavily in debt. It quickly sold off a profit draining electronics company, sold off stores in weak markets, and strengthened itself operationally. Last year it reported that after three years into the buyout cash flow was sufficient to cover interest expenses and provide enough working capital for the company to sustain itself.

Revco, which rode high and mighty for two decades came upon hard times in the mid-70s. Its disastrous purchase of the Odd Lot outlet stores precipitated its fall and an LBO by its management didn't stem the tide. Revco is now under new management trying to work its way out of a Chapter 11 reorganization.

The marauding Dart group was also responsible for putting into play Stop & Shop of Boston and Supermarkets General of New Jersey. In each case an LBO was the result, with the Hafts taking their money, and the surviving companies forced to sell off their assets, among which were the chains of free standing stores that they operated. And it was to ward off attacks that Kroger restructured two years ago and in the process sold off its SupeRx-Hook drug to its division management. This has not stopped Dart from going after Kroger. Most recently the Darts put the Walgreen company into play, but industry observers feel that there is no way that Dart can make much progress against the entrenched Walgreen interests.

Drug chains are a lot stronger as a group as they head into the 1990s than they were coming into this last decade. The competitive lines are more clearly defined and the drug chains on the whole have a more clear cut idea of their mission. The changing demographics are working in their favor. The aging of the population gives them a growing customer base for providing long term maintenance medication.

Stewart Turley, chairman of Eckerd Drug summed it up when he told Drug Store News,"We face an increasing number of elderly persons in our nation. Eleven percent of the population that is over 65 consumers 35% of the health care dollars today. It is estimated that 40% of the medicare dollar is spent providing care in the last year of life."

And there is little question that the drug chains will continue to drive for a greater share of the Rx dollar. However, they are deeply concerned about the future profitability of the pharmacy business. It's not only the escalating inventory costs as new products come on stream nor the increasing difficulty in getting pharmacists. What concerns the drug chains most is the steady encroachment of third party payers, government and private providers alike, who are subjecting chain procurement and pricing policies to intense scrutiny.

Like other retailers, drug chains are beginning to take advantage of available technology to increase their operational efficiencies. Much of it has been applied in distribution centers which supply anywhere from 70% to 90% of the merchandise carried in their units. The big question facing the drug chains is to what extent the introduction of computer driven technology can increase their warehouse turn factor from its current four to five turns.

Although, according to the Nielsen study, 86% of all chain drug stores have computerized pharmacy operations, real strides in inventory management and increasing turns at both stores and distribution centers awaits the utilization of UPC scanner systems in the stores. Nielsen reports that eight out of 10 chain drug executives interviewed feel that within five years they'll be on a par with supermarkets in scanner utilization.

The chain drug store of the 1990s will be a more focused retailing unit thant it was in the 80s, but it will not vary that much in its basic characteristics. It will continue in its role as a community convenience store carrying on its shelves an exotic assortment of goods ranging from garden supplies to cartons of motor oil. But at its core will be its ever growing pharmacy department, and increasingly sophisticated cosmetics operation, the widest assortment of toiletries and proprietary medicines that can be found.

Over the decades the chain drug unit has proved to be flexible and fast responding to the changes in the social and economic environment. It has done well despite the inroads made on its basic lines by other retailers. And because of its innate opportunistic approach to retailing challenges, look to the drug chains not only to survive but to prosper in the decade ahead.

Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

JANUARY 1989

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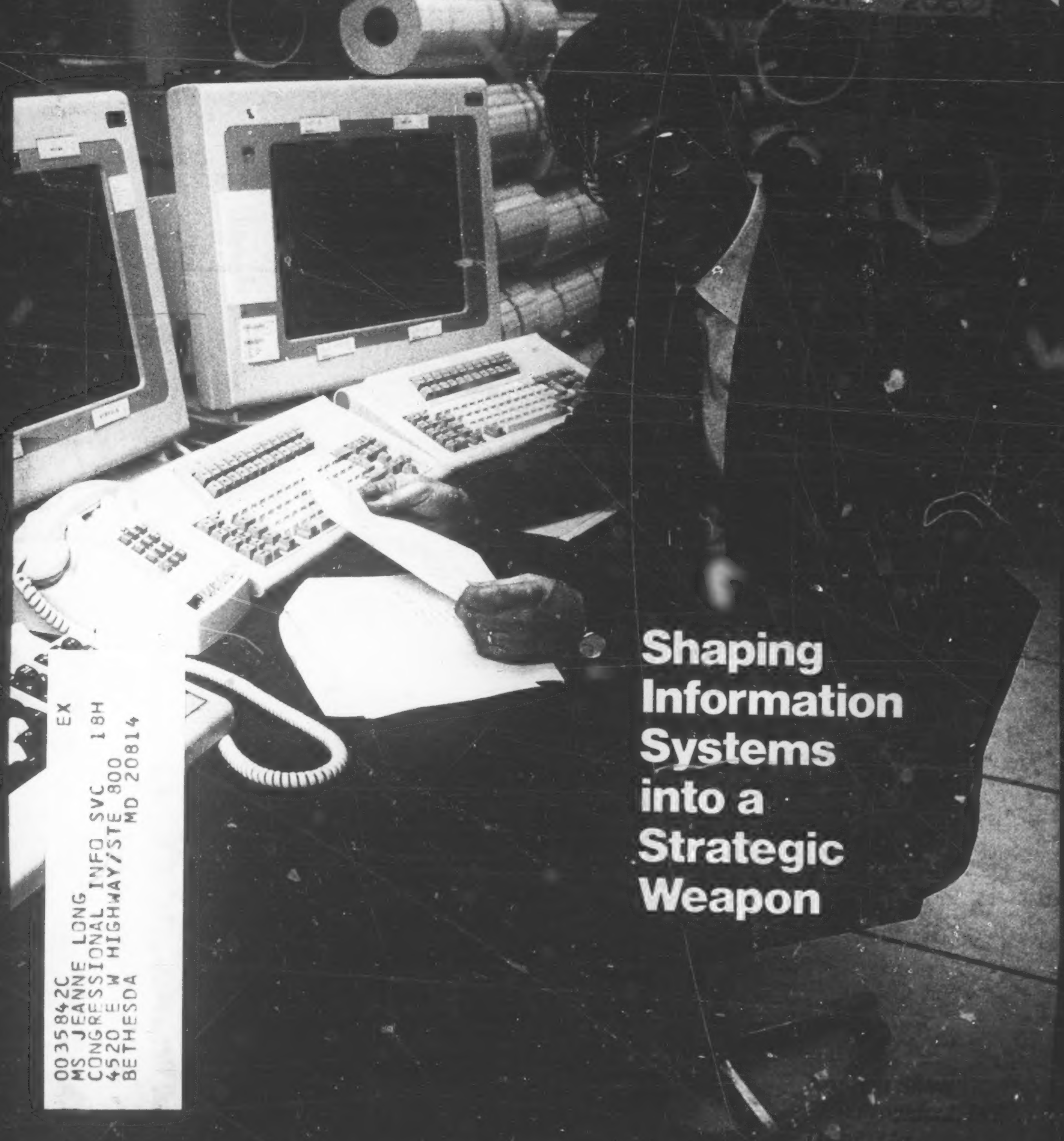

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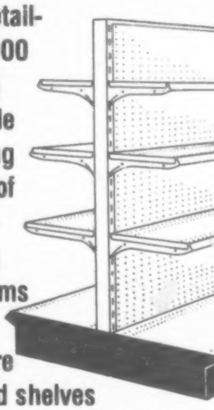

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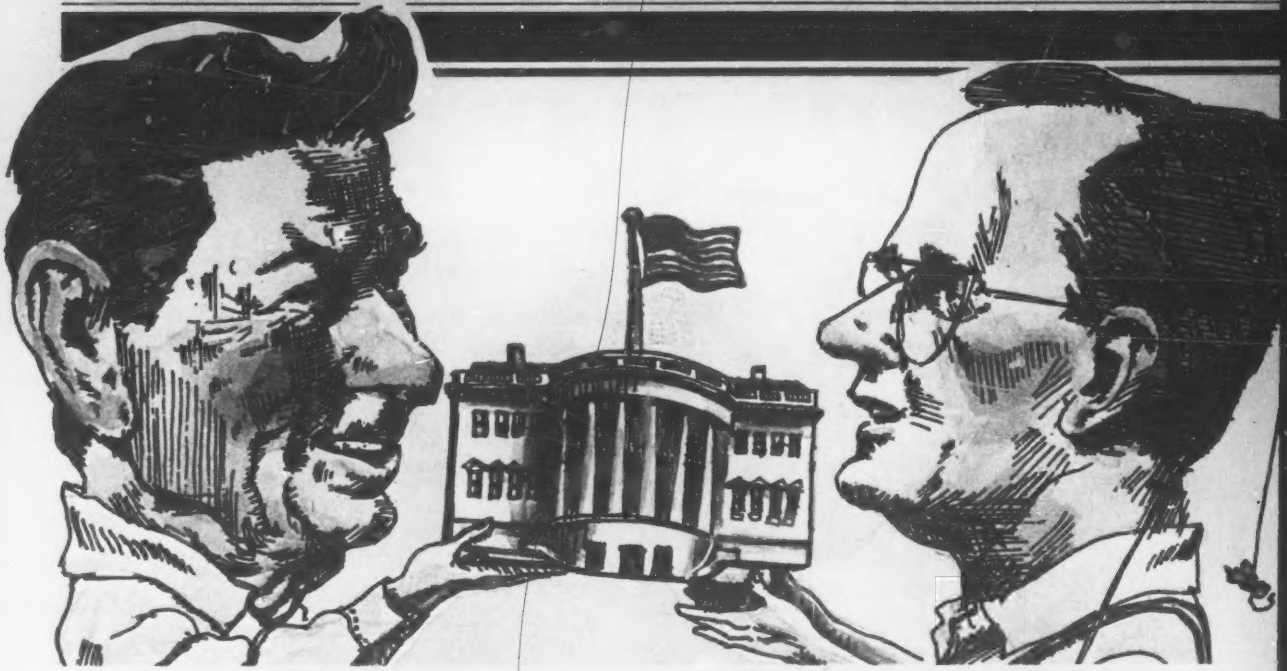

BUSH AND RETAILERS: WHAT'S AHEAD?

A more moderate but still pro-business administration is expected under President-elect George Bush but there will still be pressure for higher minimum wages, textile quotas and other Democratic-sponsored legislation. Retail sales this year should climb by 5.75%, just ahead of 1988's 5.5%, but profits may be flat. Apparel and home textiles should be the star performers. 15

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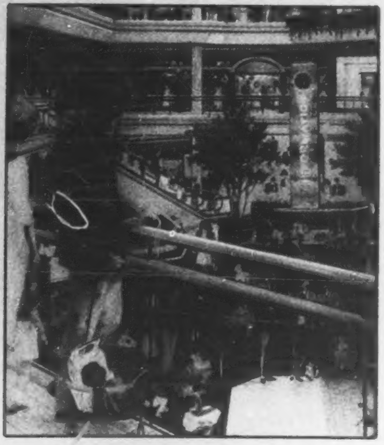

OHIO IS FERTILE GROUND FOR DEVELOPERS

From the shores of Lake Erie to the banks of the Ohio, the Buckeye State is a hotbed of shopping center activity. Upscale department stores and discounters like Wal-Mart and Ames are targeting Ohio as a growth market. It's a revitalization of the Rust Belt. 53

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SHOPPING CENTER AGE

Shopping center developers are forecasting a slight slowdown in construction this year and a very busy 1990, particularly in the Midwest, an exclusive *Chain Store Age Executive* survey reveals. 43

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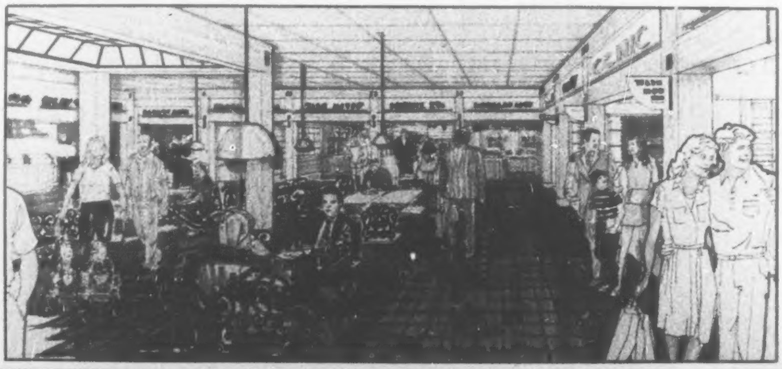


SURVEY SEES TRENDS IN CENTER BUILDING

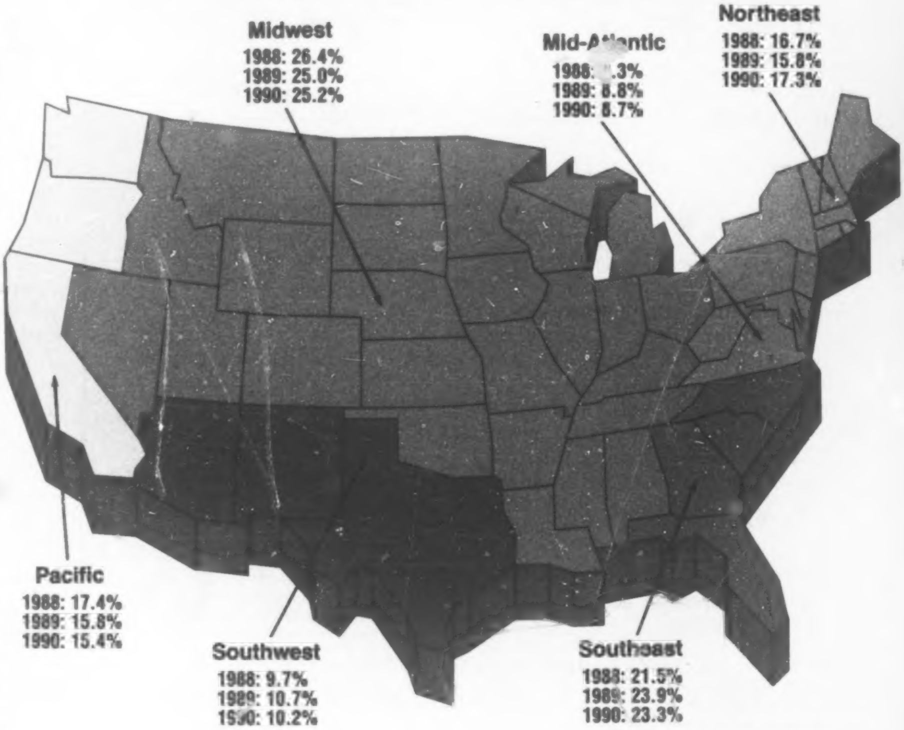
EXPECT CONSTRUCTION TO BOOM—ESPECIALLY IN THE MIDWEST—IN 1990

After an active 1988, look for a slight slowdown in shopping center construction for 1989, and a very busy 1990, particularly in the Midwest.

Those are the major conclusions of an exclusive *Chain Store Age Executive* survey that queried shopping center developers about their construction plans for 1989 and 1990.

Development interest by region, 1988-90

(Percentage of developers expressing construction plans)



Source: *Chain Store Age Executive research*

Overall, 1988 was a busy year for development. Three out of five (60.6%) developers, says the survey, recorded an increase in GLA last year, while only 2.3% decreased their square footage.

Even more developers (72.9%) will add space this year, and construction will jump still more in 1990, when 80.4% plan to add retail space.

The Midwest seems to be the place to be, as developers are beginning to correct their neglect of the region. The area showed the greatest amount of space increase in 1988, and will continue to lead other regions in both 1989 and 1990. More than one-quarter of the developers report that they will build in the region in each of the next three years.

Developers have not yet abandoned the Sunbelt, however. Close behind in overall development is the Southeast, with interest from 21.5% of developers in 1988 and 23.9% in 1989. As the area becomes even more saturated, the interest declines slightly, to 23.3% in 1990.

Breaking down the responses by category, it is clear that different areas of the country are of interest to different types of developers.

The Midwest and Southeast, for example, are most enticing to developers of neighborhood/convenience/-community centers. The Midwest, in particular, is still greatly in need of local centers, while the Southeast is simply running out of space to build anything larger.

The majority (61%) of "small" center developers increased retail space in 1988, and an even larger number (73.5%) expect to do so in 1989. That figure grows again to 78.8% in 1990.

The increase came from a combination of new development and expansion of existing centers. A total of 44.4% of the developers reported building between 1 and 10 new centers last year, while only 38% expanded centers.

The smaller, easier to build and lease neighborhood centers, as opposed to the highly touted "power" centers of 400,000 sq. ft. and above, will still be the main development.

More than three-quarters of developers plan projects under 200,000 sq. ft. in 1989, with 74% undertaking projects of that size in 1990.

While neighborhood center development was expected to increase, the expected downturn in regional mall construction didn't happen in 1988. Almost three-quarters (73%) of respondents reported an increase in total GLA. The new space will primarily be in the Southeast and Midwest in 1989. Each region received 33% of the vote from responding developers.

Next most popular is the Pacific region, with 20% of developers planning work there. The Northeast will see 13.3% of development.

Next year, however, should be a bust in terms of regional malls for the Mid-Atlantic and Southwest. Not one developer admitted to having plans in those areas. That trend will continue in 1990. No developers plan new centers in either region.

The Midwest proves most popular, with 46.7% of developers anticipating building in the region. Next is the Southeast, with one-third of new construction. The Pacific region and

Northeast follow.

The bulk of last year's GLA increase, however, occurred in expansion of existing centers. As more areas become saturated with regional malls, and as available land runs out, new center construction is decreasing. Fewer than 1 in 5 respondents opened new malls this year.

Developers now are working either with the space they already have or with the centers they can acquire. Expansions occurred fairly evenly, with 50% of developers adding up to [illegible]00,000 sq. ft., and the other 50% adding 400,000 sq. ft.-4 million sq. ft.

What new malls were built were of a medium size for regionals. A vast majority (85.7%) of respondents built centers in the 300,000-sq.-ft.-700,000-sq.-ft. range.

As with community centers, mall construction was concentrated in the Midwest—45.5% of developers listed that region as their primary area of construction activity. The Southeast and Pacific also saw growth, but at a slower pace.

A slowdown will occur this year, with only 57.7% of regional mall specialists expecting to add space this year. The longer construction time for regional mall space may well be a factor, however, because a whopping 84.6% of developers expect to add space in 1990.

Much of 1989's growth will come from expansion of existing centers, as only 28.5% of respondents plan to open new centers this year. Again due to the greater amount of time needed to build, that figure increases to 46.1% for 1990.

Next year will also be a big one for mixed-use centers in downtown areas. After a breather in both 1988 and 1989, developers will be opening a good deal more space in 1990.

Of the developers claiming primary concentrations in the field, only 38.5% saw an increase in GLA.

The pattern continues in 1989. Only 41.6% of developers plan to expand retail space. Yet even those planning to expand their centers don't anticipate doing it by much.

Four of five will expand by less than 100,000 sq. ft., with the remainder expecting to add between 100,000 sq. ft. and 200,000 sq. ft. Of this, the majority will be the expansion of existing space, the developers say.

Unlike the other categories of development, however, the Midwest will not see a piece of the pie.

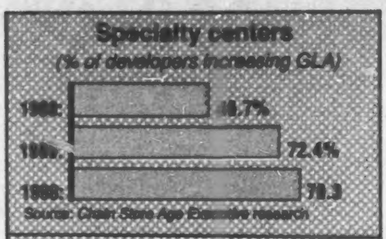
The older, more established downtowns of the Northeast will see the bulk of development—42.9% of respondents report engaging in most of their activity there in 1989.

The Southeast follows with 27.3%, then the Mid-Atlantic and Pacific. Only the Southwest, with its sprawling suburbs, will be totally ignored by downtown mixed-use in the next two years.

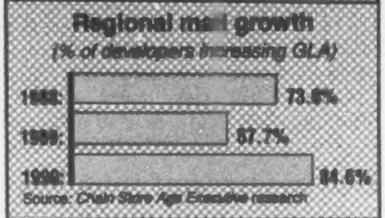
As 1989 plans for the Northeast are completed, downtown mixed-use developers will turn their attention to other regions in 1990. The total neglect of the Midwest will end in 1990, but only 10% of developers report interest there.

Still, the Northeast will be a major area, with the Mid-Atlantic picking up. The two are tied with interest from 30% of the developers. As downtown areas are completed, the Southeast dips to 20% of total development plans.

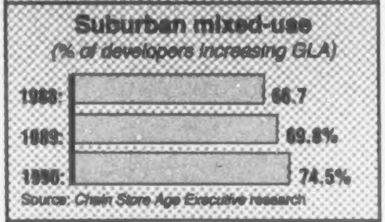
Perhaps they're making up for expansion that didn't occur in 1988—


Specialty centers
(% of developers increasing GLA)

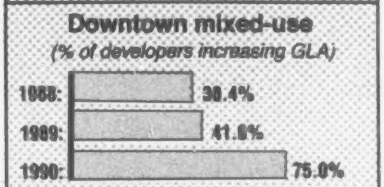
Source: Chain Store Age Executive research


Regional mall growth
(% of developers increasing GLA)

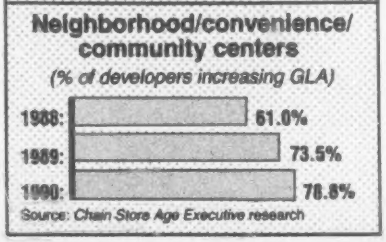
Source: Chain Store Age Executive research


Suburban mixed-use
(% of developers increasing GLA)

Source: Chain Store Age Executive research


Downtown mixed-use
(% of developers increasing GLA)

Source: Chain Store Age Executive research


Neighborhood/convenience/ community centers
(% of developers increasing GLA)

Source: Chain Store Age Executive research

NEW CENTER CONSTRUCTION COSTS TO GO DOWN IN 1989

Contrary to popular belief, what developers are willing to pay to construct new centers may not always rise.

Reflecting the slight slowdown in new construction expected this year, developers will spend less in 1989 for new center construction than they did in 1988. However, the number will rise in 1990.

Regional mall developers spent an average of $54.20 per square foot in 1988. That figure will drop to $51.42 in 1989, reflecting the slowdown in construction. As the number of new centers increases in 1990, it will rise to $56.56.

The same is true for new construction of specialty centers. An average cost per square foot of $52.11 was reported for 1988 new construction. This will dip to $50.62 in 1989, then rebound to $53.15 the next year.

Downtown and suburban mixed-use centers follow the same trend. Downtown developers spent an average of $46.50 for new construction in 1988, yet will spend only $45.33 in 1989.

The cost will jump dramatically in 1990, to $57.13. Suburban center developers spent an average $50.67 per square foot in 1988, yet will spend only $45.00 in 1989. This will rise to $49.94 in 1990.

The continuing increase in new community centers will, however, show increasing costs. Developers spent $46.88 per square foot in 1988. They anticipate costs of $53.18 in 1989 and $62.34 in 1990.

SURVEY METHODOLOGY

Chain Store Age Executive's annual construction survey asked developers to describe the size and scope of construction activity in 1988, and offer plans for 1989 and 1990.

More than 350 members of the International Council of Shopping Centers responded to written surveys, mailed in early November.

The majority of respondents (69.5%) are involved with neighborhood and community centers, followed distantly by developers concentrating on mixed-use centers in suburban areas (14%).

Regional mall developers (7.2%), specialty centers (5.4%) and downtown mixed-use centers (3.4%) followed.

only 41.7% of respondents reported expanding an existing center. And they only added up to 100,000 sq. ft.

Of the downtown mixed-use developers, only 23.1% constructed new centers. Those builders constructed only between one and three centers each. The vast majority of those (75%) were less than 100,000 sq. ft. The remaining 25% totaled between 100,000 sq. ft. and 200,000 sq. ft.

Again, this trend will continue in 1989, with a dramatic change in 1990. Only 25% of the responding developers plan to build a new center in 1989 of 100,000 sq. ft. or less.

A longer construction time for often massive mixed-use projects is a factor, as 61.5% of the developers plan on new construction in 1990, with sizes spread across the board. The average size of retail, however, will be 264,285 sq. ft.

Specialty centers also seem to have taken a bit of a break in 1988—53.3% of developers primarily involved in building that type of center report no new construction last year.

The construction that did take place, however, was divided fairly evenly among in the Southeast (27.3%), Northeast (22.7%) and Pacific regions (22.7%).

Reflecting the smaller size of specialty centers, the gains were small, with almost three-quarters of respondents building 100,000 sq. ft. or less. No one built more than 200,000 sq. ft.

Unlike downtown development, specialty center developers expect to increase space in 1989 and 1990. Again, 1990 will be slightly more active than 1989—72.4% plan to increase space this year, while 78.3% plan additional GLA in 1990.

Developers will be building small centers—half announce that their additional space will not exceed 100,000 sq. ft. in 1989. This changes in 1990, when only one-third will build centers smaller than 100,000 sq. ft. ■

—Debra Hazel

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CREDIT AUTHORIZATION STAND-ALONES DECREASE

MOST RETAILERS OPT TO INTEGRATE THE FUNCTION INTO POS TERMINALS

The stand-alone credit authorization terminal is rapidly becoming a thing of the past. High credit volume retailers instead are opting to integrate credit authorization into POS terminals.

A recent survey of end-users of retail automation equipment conducted by Venture Development Corp. (VDC), a Natick, Mass.-based consulting firm, indicates that use of stand-alone terminals will decrease significantly.

By 1990, only 10% of mass merchants and 50% of apparel retailers, including department stores, will be using stand-alone credit authorization/debit card terminals, according to the VDC study.

The remaining companies will integrate the credit authorization function into their POS devices.

Unless they significantly alter their marketing thrust, the study concludes, manufacturers of stand-alone terminals will be left standing . . . alone.

What is fueling the current trend toward integration—despite its high cost—are the advantages retailers gain by including the often-troublesome function into the POS terminal.

Among them are: increased accuracy of the sales data being keyed into the terminal by the cashier; fewer service calls; and, more counter space derived from the elimination of the box.

With the cashier needing to key in the sales data only once, discrepancies in the data entered into both units can be eliminated.

Additionally, with fewer pieces of equipment to worry about, retailers can cut service calls and save hundreds, if not thousands, of dollars in the process.

Finally, the counter space gained by eliminating the unit enables clerks to provide improved customer service by speeding up checkout and packaging duties.

The integration of credit authorization into the POS terminal allows retailers to address another credit-related need.

Most department stores, mass merchants and large apparel chains have proprietary credit cards. Authorization for these cards is not done through the credit card networks.

Therefore, a retail company that wants on-line credit authorization for its own card must integrate the authorization procedure into the POS terminal allowing on-line access to in-house credit files.

A stand-alone device typically provides a pathway to the networks that verify MasterCard, Visa, and the like.

Faced with the threat of integration, vendors of stand-alone terminals must examine ways to protect their market segment, says VDC.

The study recommends to these manufacturers that they either concentrate on marketing terminals for debit card authorization, or target retail segments that are more likely to prefer stand-alone terminals to integrating the function.

VDC suggests that manufacturers such as Verifone, Omron Business Systems, ICOT and Data Card, take advantage of the current trend toward debit cards.

Food retailers including fast-food outlets, grocery stores and convenience stores are prime candidates for debit card programs, the study points out, because they have very low—or no—credit card volumes and are primarily cash-based.

While it is unlikely these retailers ever would have represented a market for credit authorization terminals, they would be natural users of debit card terminals.

A spokesman for San Jose-based ICOT Transaction Systems does not dispute the VDC study's major conclusions.

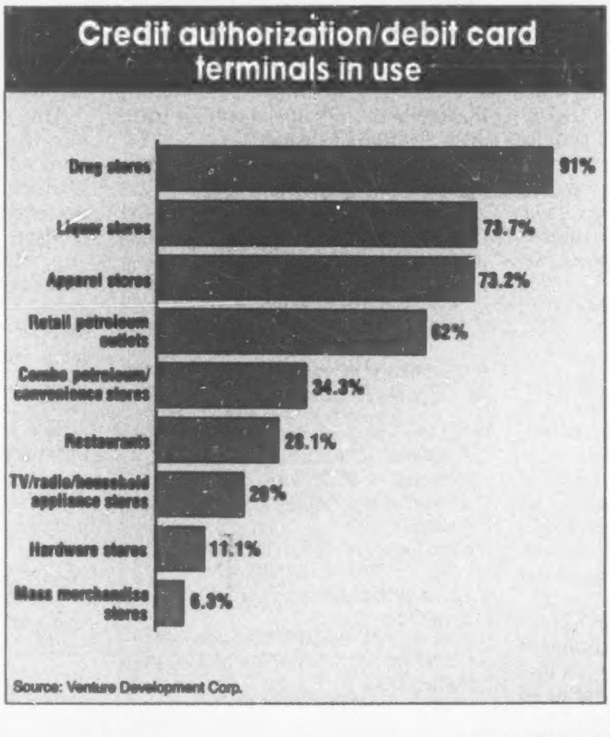
Many of the functions performed by freestanding credit authorization terminals are being integrated in POS systems, he admits. Credit authorization terminals are an important part of ICOT's business.

However, the spokesman emphasizes, "these two facts do not threaten the existence of companies like ICOT, whose product is transaction processing solutions for retailers."

Tom Saks, ICOT's vp-marketing, goes on say that rather than manufacture any one product, it is more important "to respond quickly and cost effectively to the retailer's continuous stream of emerging transaction processing needs."

He says, "Traditionally, POS vendors have been slow to respond to retailers' requests for additional features. There are many instances of a stand-alone special purpose terminal installed alongside a POS terminal simply because the stand-alone terminal represented a less expensive, more expeditious solution. A more recent phenomenon is the inter-connection of the special purpose terminal to the POS device."

As debit card programs are instituted, VDC finds that most retailers would rather purchase a free-



Credit authorization/debit card terminals in use

Source: Venture Development Corp.

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standing debit card terminal to use with an existing POS system, rather than to retrofit or buy new equipment.

Since the full potential of debit cards will not be reached for a number of years, retailers are unwilling to revamp their entire stock of POS equipment in order to accommodate debit.

Rather, they prefer to add standalone terminals while taking advantage of the full life of their existing equipment.

In addition to broadening product lines to include debit terminals, manufacturers also should concentrate marketing efforts on different segments of the retail industry, says the VDC study.

Vendors should de-emphasize department stores, mass merchants and apparel stores, and should instead concentrate their efforts on retailers that are not interested in integrating the credit authorization function, says the study.

For example, drug stores and restaurants will remain strong outlets for stand-alone terminals, the study says.

These industries are de-centralized and full of small, independent operators that have significant credit card volumes.

However, VDC finds that many smaller retailers in these industries prefer to purchase low-end electronic cash registers and low-end credit authorization terminals.

Medium- to high-end POS terminals that incorporate all the bells and whistles, including credit authorization, typically are unnecessary in a one- and two-unit environment.

The cost of two low-end units is usually less than the price of a single sophisticated POS terminal. Since small retailers are very price sensitive, they usually will opt to go this route.

Despite the slowdown in the unit shipments of stand-alone terminals in the coming years, the study finds that factory dollar shipments will continue to grow.

Unit shipments to the retail market are expected to show an average annual growth rate of 2.9% through 1992, while factory dollar shipments will experience average annual growth of 4.9%.

The anticipated increase of debit programs accounts for some of the growth, the study finds. Retailers obviously are eager to take advantage of timely, direct payments from financial institutions.

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Among the delays holding up the debit card rollout are: the disagreement between banks and retailers on which should pay the cost of linking the retailers' debit machines to the banks' computers; disagreement over which should pay for the use of telephone lines that are needed to access the banks records; and, a lack of standards for communication between banks and retailers to facilitate a transaction that involves four parties.

Another reason behind the growth in unit shipments is the typical short lifespan of freestanding units, says the study, making for a large replacement market.

Factory dollar shipments will increase at a faster growth because the majority of the terminals that will be shipped over the next few years will have debit capabilities.

New buyers will tend to select terminals with both credit and debit features. Existing users will upgrade their terminals to handle both, according to VDC.

Dual functioning units are more expensive than straight credit authorization terminals. Not only does the addition of debit add to the cost of unit, the need for peripherals such as a PIN pad raises the cost.

Although the study shows there is still slight growth in the freestanding terminal industry, it is nowhere near the boom experienced during mid-decade.

In 1987, unit shipments grew by close to 50%, and factory dollar shipments by almost 20%.

Those days are over, says the report. This year will represent the peak for the industry. In 1989, says VDC, 350,000 units will be shipped with a factory dollar value of $152.3 million.

After this year, the market will begin to reach a saturation point, and shipments are expected to fall off slightly.

The above information comes from VDC's Retail Automation Planning Service. In addition to tracking end-user usage of credit authorization/debit card terminals and all other types of retail automation equipment, the service monitors the activity of retail automation equipment vendors, analyzes the channels through which this equipment is distributed, including dealers, distributors, value-added resellers, networks, banks and petroleum pump manufacturers. It also tracks trends in the retail industry itself. ■

VENDORS SLOW TO IMPLEMENT QUICK RESPONSE

VICS STUDY SHOWS LITTLE APPRECIATION OF COST BENEFITS

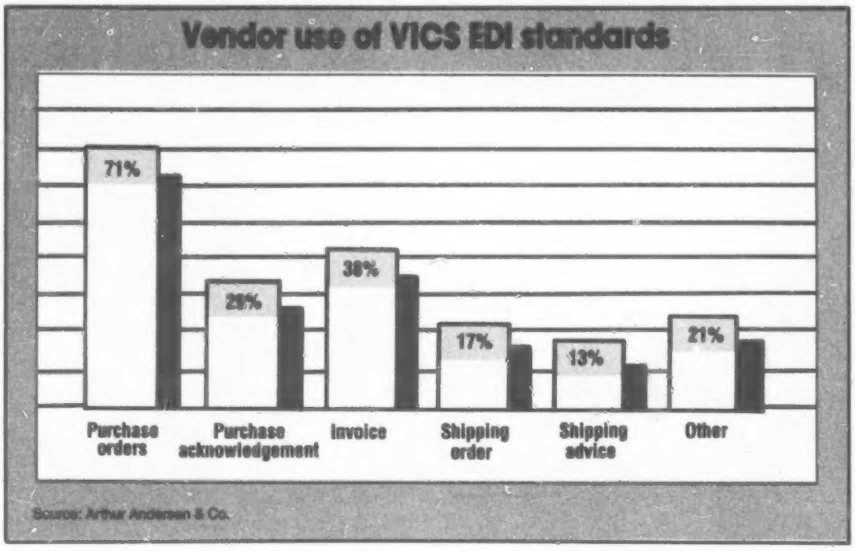
Retailers are embracing Quick Response, but what about their manufacturing partners?

According to an Arthur Andersen & Co. study prepared for the Voluntary Interindustry Communications Standards Committee (VICS), vendors of general merchandise are beginning to accept the concepts and technologies associated with Quick Response.

Vendors who are implementing Electronic Data Interchange (EDI) or Universal Product Code (UPC), however, are doing so without an informed understanding—or even an awareness—of either the costs or benefits of Quick Response, says the study.

"The current and planned levels of utilization are encouraging," says the Arthur Andersen survey.

"But the findings suggest that the rate of, and ultimate level of, acceptance of Quick Response concepts could be significantly enhanced through a demonstration of the potential benefits, and the industries' commitment to the attainment of these benefits," says the consulting firm's report to the VICS committee.



Source: Arthur Andersen & Co.

Quick Response involves the application of a variety of concepts and technologies including bar coding, scanning, UPC, EDI and Just-in-Time manufacturing.

The objective of Quick Response is to shorten the product life cycle, from the initial placement of orders, through the manufacturing, distribution, sale and reorder of the product.

The shortened life cycle will permit domestic suppliers to become more cost competitive and should provide the retailer with better inventory productivity and more efficient operations.

Many major retailers—including Wal-Mart, Dillards, J. C. Penney and Belks have participated in tests of Quick Response with apparel manufacturers to resounding results (*see story, page 118*).

Though most of the technologies utilized in Quick Response already have existed for well over a decade, the increasing competitiveness in both the retail and manufacturing industries has spurred recent interest and implementation.

Saturated markets, changing demographics and changing lifestyles, says Arthur Andersen Consulting, not only have forced a consolidation in the retail industry but also have tested the retailer's ability to cope with change.

Cost reductions available to retailers through foreign sources have increased the competitive pressure on the domestic suppliers to the retail industry, says the consulting firm's report.

One of the results of these trends is Quick Response and EDI. Though retailers seem eagerly committed to the new electronic strategies, domestic manufacturers have been slow to respond to the opportunity.

The objectives of the VICS/Arthur Andersen study were to measure the use by vendors of a number of technologies associated with Quick Response.

They include: the use of UPC for item identification, the use of VICS standards for EDI, and the use of bar coding for identification of shipping containers among domestic vendors of general merchandise.

In the study, general merchandise vendors were defined to include all non-food, non-service vendors. Included within this category were manufacturers ranging from apparel to consumer electronics to automotive supplies.

Based on this definition, Andersen Consulting estimates that there are approximately 60,000 vendors of general merchandise in the United States.

The survey was conducted using a written questionnaire that was sent to more than 2,200 randomly selected manufacturers.

It asked vendors if they used the UPC, the percent of their products identified with UPC, and their future plans for applying UPC.

With respect to EDI, the survey identified users and non-users. Among the users, the survey questioned vendors about their use of the VICS EDI standards and the areas of application.

The survey also questioned vendors regarding the use of bar coding for identification of shipping containers.

Of the 2,200 surveys issued, 538 (about 25%) responses were obtained.

There currently are 27,000 vendors of general merchandise that have shown the intent of using the UPC.

That intent has been demonstrated by registering with the Uniform Code Council (the UPC governing body) and by paying a fee to obtain a Universal Product Code vendor number.

The Uniform Code Council, located in Dayton, Ohio, administers the use of UPC. Each vendor wishing to use the UPC must register with the Council to obtain a unique vendor number.

Having obtained that number, each vendor can then assign a unique number to each of its products. The vendor and item numbers, along with leading and trailing control digits, comprise the UPC.

A survey of a representative sample of these Uniform Code Council registrants indicates that 79% have already implemented UPC for item identification.

Based on these figures, the Andersen study estimates that there currently are 23,300 vendors using the UPC. This represents about 36% of domestic manufacturers of general merchandise.

The great majority—64%—of domestic general merchandise manufacturers, however, still are not using the bar coding necessary to implement Quick Response.

Some retailers with heavy clout are beginning to force the issue with their suppliers.

Toys "R" Us makes the message clear with a sign featuring its Geoffrey Giraffe at its corporate headquarters that proclaims, "No UPC, no pur-

NEW PROJECTS FOR VICS

The Voluntary Interindustry Communications Standards (VICS) Committee was founded in 1986 with the objective of improving customer service through the implementation of several voluntary communication standards.

The VICS committee has made significant progress in this area through the study and endorsement of UPC-A for item identification, the development of the VICS Electronic Data Interchange standard, and the design of an architecture for large-scale price look-up.

While the definition of standards continues to be a priority, the committee now is focusing heavily on propagating their use.

The committee has initiated a series of studies to assess the industries' positions with regard to Quick Response.

With this assessment now finished, the VICS committee is initiating another series of studies to quantify the benefits of Quick Response to both retailers and manufacturers.

Andersen Consulting, the consulting arm of Arthur Andersen & Co. has been commissioned by VICS to perform the cost/benefit study for the retail sector. It is scheduled for completion in March 1989.

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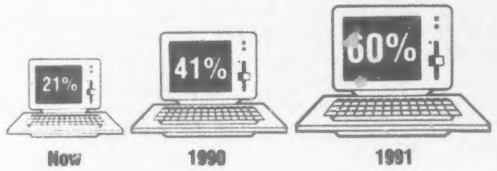
TWO-THIRDS OF RETAILERS TO USE EDI BY 1991



Source: Kurt Salmon Associates

Two out of three of the country's largest apparel retailers will place orders and communicate other information to their vendors via electronic data interchange (EDI) by 1991.

This is one of the key findings of a survey regarding EDI implementation plans of retailers conducted by New York-based Kurt Salmon Associates on behalf of the American Apparel Manufacturers Association.

Randell K. Nord, a Kurt Salmon vp, notes that apparel retailers now using EDI are primarily chains, mass merchants and a few department stores.

"Expansion over the next two years," Nord says, "will primarily involve department and specialty stores."

Polling 100 major apparel retailers, the survey asked what standards they use. Virtually all respondents say they support ANSI X.12. Sixty percent indicate they will continue to support other standards as well.

"This high number of retailers using other standards represents chains and mass merchants who originated their own standards and were the pioneers of EDI," Nord says.

To communicate with trading partners, respondents indicate that there will be a mixed environment.

While all surveyed say they will work through one or more third-party networks, 60% say they will use only third-party, and 40% will work through a third-party as well as maintaining some direct EDI with key vendors.

All respondents plan to use the purchase order transaction set.

Within two years, 73% plan to use invoice, shipping notice, or both, and almost half have plans to use price/sale catalog transaction sets.

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chase order."

Federated/Allied Department Stores recently went so far as to advertise in apparel trade publications that it now requires that its sources mark product with Universal Product Codes.

To what extent are vendors using the UPC? Despite the pleas of major retailers, fewer than half (44%) of the vendors who use the Universal Product Code mark 75%-100% of their items with the UPC.

Seventeen percent mark 50%-75%; 12% mark 25%-50% of their items; and 27% of the vendors mark 0%-25%.

When it comes to EDI, once again the Arthur Andersen survey reveals that retailers are more eager to use the technology than are their suppliers.

Only 53 out of the 538 manufacturer respondents (or 10%) indicate that they now are exchanging data electronically with their trading partners.

According to the study, an additional 16% of the vendors surveyed say that they anticipate exchanging data electronically within the next year.

Within the next two years, a total of 21% of the vendors anticipate they will implement EDI.

Even those manufacturers that have implemented EDI are not using the full range of VICS standards.

Of those already implementing EDI, the study says, only 27 (or 5% of all general merchandise vendors polled) are using the VICS standards for electronic exchange of business transactions.

By far, the electronic exchange of purchase orders is the most used EDI standard. Among the vendors using the VICS EDI standards, the greatest number (71%) are exchanging purchase orders electronically.

Other VICS standards are used less frequently. Only 38% of the vendors exchange invoices electronically *(see accompanying chart)*.

Twenty-nine percent send purchase order acknowledgements via EDI; 17% exchange shipping orders; 13% exchange shipping advices electronically; while 21% use the VICS EDI standards to transmit other information.

When it comes to using bar coding for shipping container identification, manufacturers are more enthusiastic.

Out of the survey's 538 respondents, 156 vendors (29%) indicate that they currently are using bar codes for that purpose.

About half (51%) of the vendors are bar coding 75%-100% of their containers. Another 20% are marking 50%-75%; 12% of the vendors are bar coding 25%-50% of their containers; and 17% are marking between 0%-25%.

Among those responding to the survey, an additional 15% indicate that why will begin to bar code their shipping containers within the next year.

Within two years, according to the study, an additional 27% of the respondents anticipate that they will start bar coding shipping containers. ■

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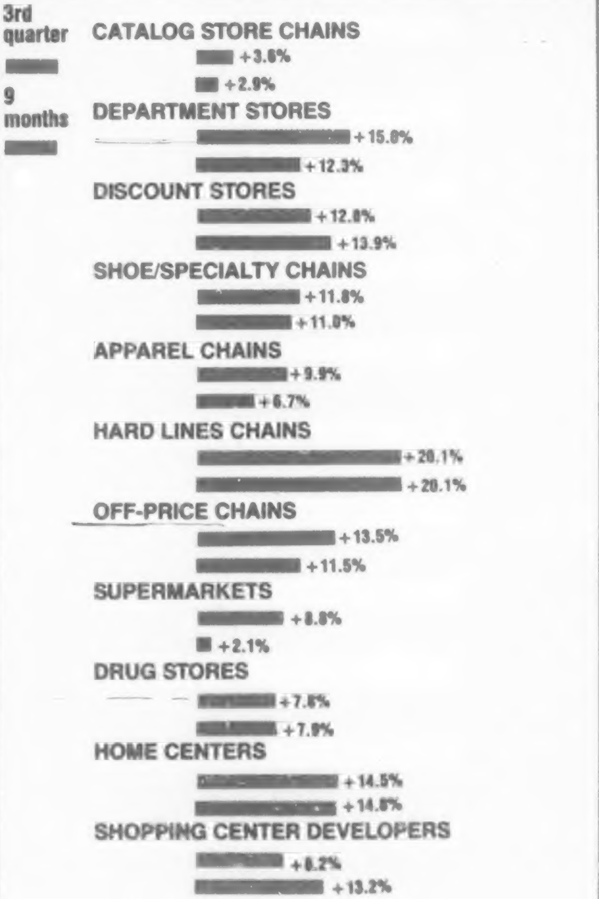
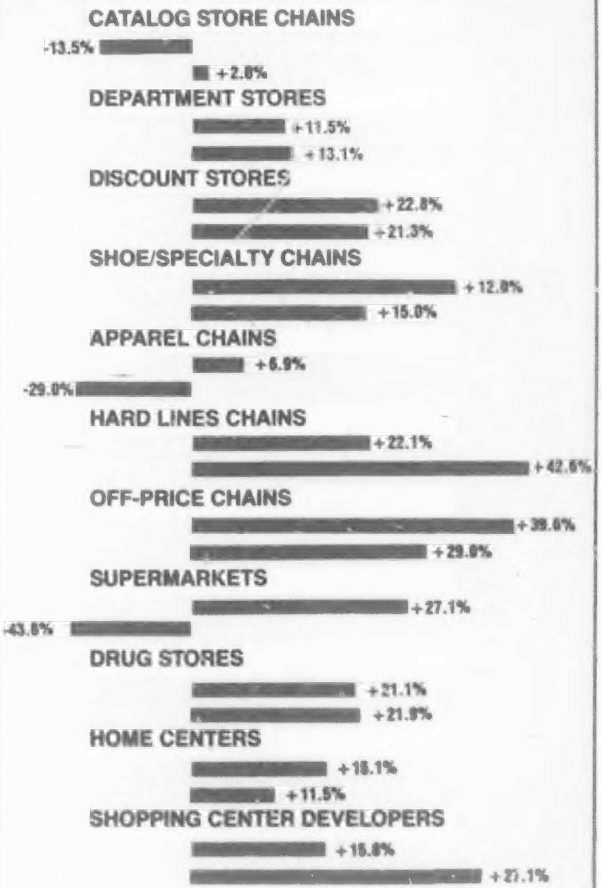
SALES

	3rd qtr. (000 omitted)	% change	9 mos. (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney	3,610,000	− 3.9	9,995,000	− 3.8
Sears, Roebuck & Co.	7,494,800	+ 7.6	20,731,600	+ 6.5
DEPARTMENT STORES				
Carson Pirie Scott	300,072	+ 24.6	774,697	+ 28.4
Dillard	606,197	+ 13.1	1,676,404	+ 17.4
Gottschalks	47,014	+ 24.9	128,042	+ 28.0
D.H. Holmes	62,544	− 2.3	188,216	− 0.5
Jacobson's	84,027	+ 7.6	235,955	+ 7.1
May	2,824,000	+ 17.3	7,691,000	+ 11.0
Mercantile	544,184	+ 3.4	1,499,248	+ 3.6
Nordstrom	485,832	+ 18.1	1,562,829	+ 18.5
Strawbridge & Clothier	205,724	+ 12.4	581,547	+ 10.4
DISCOUNT STORES				
Ames	546,955	+ 10.7	1,591,836	+ 9.4
Consolidated	147,179	+ 1.8	410,737	+ 3.0
Dayton Hudson	2,867,400	+ 12.9	8,104,200	+ 15.8
Hills	443,475	+ 8.0	1,097,487	+ 10.7
Jamesway	190,819	+ 11.6	519,016	+ 9.8
K mart	6,358,200	+ 6.4	18,884,100	+ 5.7
Fred Meyer	466,932	+ 13.8	1,505,151	+ 10.8
Rose's	338,281	+ 8.9	993,678	+ 5.7
Stuarts	32,706	+ 1.8	89,768	+ 1.0
Wal-Mart	4,991,117	+ 24.3	14,118,265	+ 28.8

EARNINGS

	3rd qtr. (000 omitted)	% change	9 mos. (000 omitted)	% change
CATALOG STORE CHAINS				
J.C. Penney	160,000	− 6.4	372,000	+ 13.4
Sears, Roebuck & Co.	135,400	− 20.5	342,900	− 7.9
DEPARTMENT STORES				
Carson Pirie Scott	2,187	− 58.8	11,450	+198.6*
Dillard	17,363	+ 19.2	97,901	+ 24.1
Gottschalks	344	− 59.6	1,134	− 50.8*
D.H. Holmes	(2,789)	n/a	(7,453)	n/a
Jacobson's	2,316	− 14.4	3,456	− 28.7
May	104,000*	+ 20.9*	227,000*	+ 8.1*
Mercantile	40,514	+ 6.7	87,114	+ 4.9
Nordstrom	19,938	+ 1.0	75,818	+ 27.6
Strawbridge & Clothier	3,608	+ 11.1	6,319	− 24.1
DISCOUNT STORES				
Ames	10,662	+ 45.2	24.372	+ 51.7
Consolidated	4,118	+253.2	8,461	+117.6
Dayton Hudson	45,600	+ 35.7	104,900	+ 10.8
Hills	2,873	− 70.4	(16,331)	n/a
Jamesway	3,954	+ 7.9	5,956	− 23.6
K mart	126,100	+ 14.5	409,700	+ 10.4
Fred Meyer	5,046	+ 12.5	21,377	+ 16.9
Rose's	4,159	− 32.0	9,893	− 31.6*
Stuarts	662	+ 18.6	945	+490.6*
Wal-Mart	180,874	+ 32.9	514,035	+ 35.1





SALES

	3rd qtr. (000 omitted)	% change	9 mos. (000 omitted)	% change
SHOE/SPECIALTY CHAINS				
Brown Group	483,414	+ 8.1	1,318,849	+ 7.3
Edison Bros.	233,200	– 4.7	593,400	– 5.2
Genesco	117,440	+ 12.9	333,934	+ 14.0
Melville	1,624,568	+ 16.6	4,489,030	+ 14.6
U.S. Shoe	587,113	+ 9.5	1,659,157	+ 6.8
F. W. Woolworth	1,974,000	+ 11.8	5,542,000	+ 12.1
APPAREL CHAINS				
Charming Shoppes	175,088	+ 8.3	503,737	+ 10.5
Deb Shops	45,078	– 0.4	130,148	– 3.1
Designs	18,108	+ 45.2	38,175	+ 46.1
The Gap	322,752	+ 18.0	828,428	+ 17.9
Paul Harris	48,139	– 0.8	127,368	– 2.7
The Limited	1,010,616	+ 13.3	2,714,795	+ 7.8
Merry Go Round	79,945	+ 8.5	192,180	+ 9.1
Petrie	286,686	– 4.6	832,662	– 6.0
HARD LINES CHAINS				
Child World	154,172	+ 12.0	398,672	+ 10.5
Claire's	30,190	+ 39.2	76,589	+ 9.5
Crown Books	39,880	+ 6.1	118,531	+ 9.6
Fabri-Centers	79,158	+ 13.7	200,593	+ 5.6
Fretter	53,252	– 6.4	159,244	– 6.4
Highland	205,232	+ 23.9	594,849	+ 22.9
House of Fabrics	90,227	+ 3.4	237,187	+ 2.9
Lionel	72,497	+ 21.2	190,435	+ 22.2
Michaels	61,612	+ 52.5	154,532	+ 66.3
Oshman's	69,195	– 4.4	200,262	– 6.2
Pep Boys-M,J&J	172,895	+ 21.4	487,901	+ 18.6
Toys "R" Us	776,831	+ 29.4	2,110,786	+ 32.7
Trak Auto	64,213	+ 15.2	180,330	+ 14.8
WNS	9,757	– 44.0	30,956	– 34.3
OFF PRICE APPAREL				
Banker's Note	9,086	– 7.4	28,596	– 8.6
Clothestime	44,614	– 4.6	125,774	– 8.2
Ross	149,965	+ 10.3	425,133	+ 9.3
S & K	11,235	+ 19.0	33,886	+ 22.2
Syms	62,843	+ 6.1	192,647	+ 12.0
TJX	521,827	+ 17.7	1,353,539	+ 14.7
SUPERMARKETS				
Albertson's	1,669,207	+ 13.6	4,883,584	+ 12.3
American	4,941,732	+ 42.3	13,089,439	+ 25.1
Big B	60,549	+ 5.1	188,330	+ 5.6
Giant Food	685,757	+ 10.7	2,020,558	+ 9.9
Hannaford Bros.	329,058	+ 23.1	907,844	+ 18.9
Kroger	5,584,522	+ 8.4	14,405,091	+ 8.7
Nash Finch	659,560	+ 7.2	1,590,328	+ 7.2
Safeway	3,178,184	– 21.8	9,295,267	– 29.1
DRUG STORES				
Fay's	127,267	+ 2.6	376,758	+ 4.9
Genovese	80,208	+ 11.7	258,691	+ 13.2
Longs	461,322	+ 8.2	1,375,941	+ 7.9
HOME CENTERS				
Grossman's	321,918	+ 1.6	855,803	+ 4.4
Hechinger	253,100	+ 33.5	780,885	+ 38.3
Home Depot	509,990	+ 40.0	1,474,741	+ 36.6
Lowe's	652,122	+ 1.0	1,947,327	+ 0.4
Wolohan Lumber	74,636	+ 12.7	193,497	+ 12.6
SHOPPING CENTER DEVELOPERS				
Federal Realty	16,725	+ 9.9	58,723	+ 15.7
Forest City Ent.	22,830	+ 2.0	59,932	– 9.8
Rouse	108,198	+ 10.2	330,184	+ 19.1
Weingarten	15,725	+ 3.1	49,034	+ 7.9

EARNINGS

	3rd qtr. (000 omitted)	% change	9 mos. (000 omitted)	% change
SHOE/SPECIALTY CHAINS				
Brown Group	11,772	– 24.0	24,004	– 23.6
Edison Bros.	8,200	+ 54.7	10,300	n/a
Genesco	4,326*	+ 81.5	5,614*	n/a
Melville	66,377	+ 28.5	149,250	+ 20.9
U.S. Shoe	1,282	– 89.5	(1,927)*	n/a
F. W. Woolworth	66,000	+ 22.2	144,000	+ 20.0
APPAREL CHAINS				
Charming Shoppes	8,629	– 21.8	21,134	– 40.0
Deb Shops	1,855	+ 2.5	4,811	– 34.7
Designs	1,103	+ 10.3	240	– 82.3
The Gap	26,586	+ 42.7	46,036*	– 6.3
Paul Harris	(437)	n/a	(6,137)	n/a
The Limited	70,426	+ 1.7	124,991	– 27.3
Merry Go Round	4,185	+ 6.0	5,012	– 18.0
Petrie	6,084	+ 31.1	16,229*	– 31.6
HARD LINES CHAINS				
Child World	(3,319)	n/a	(10,324)	n/a
Claire's	1,028	+ 152.0	(1,164)	n/a
Crown Books	1,152	+ 54.6	3,619	+ 41.5
Fabri-Centers	2,570	n/a	1,061	n/a
Fretter	1,076	+ 9.3	1,164	n/a
Highland	902	– 24.6	2,867	– 38.1
House of Fabrics	4,180	+ 4.3	6,636	+ 7.6
Lionel	(4,258)	n/a	(9,919)	n/a
Michaels	1,037	+ 49.2	1,601	+ 51.5
Oshman's	(1,602)*	n/a	13,494*	n/a
Pep Boys-M,J&J	10,114	+ 23.5	28,574*	+ 10.2
Toys "R" Us	25,823*	+ 40.1	71,435	+ 44.0
Trak Auto	805	– 26.9	2,710	– 17.0
WNS	(1,320)	n/a	(2,288)	n/a
OFF PRICE APPAREL				
Banker's Note	86	n/a	629	n/a
Clothestime	633	n/a	(818)	n/a
Ross	3,566	+ 201.9	9,928	+ 734.3
S & K	245	+ 22.5	1,023	+ 37.7
Syms	2,897	– 6.6	9,923	+ 4.9
TJX	31,290	+ 23.2	63,599	+ 31.4
SUPERMARKETS				
Albertson's	38,146	+ 40.8	110,655	+ 30.1
American	20,694	– 43.7	78,019	– 27.9
Big B	741	+ 16.0	4,445	+ 13.8
Giant Food	21,438	+ 21.4	62,247	+ 28.6
Hannaford Bros.	8,095	+ 18.5	22,177	+ 18.3
Kroger	56,200	+ 24.1	153,526	+ 19.6
Nash Finch	6,832	+ 13.3	14,857	+ 22.0
Safeway	22,960	n/a	45,966	n/a
DRUG STORES				
Fay's	2,079	+ 128.0	5,227	+ 136.7
Genovese	657	+ 60.0	2,947	+ 31.3
Longs	11,625	+ 10.3	38,910	+ 13.9
HOME CENTERS				
Grossman's	10,054	– 18.1	12,649	– 18.9
Hechinger	12,077	+ 28.0	35,959	– 8.1
Home Depot	17,105	+ 75.7	57,866	+ 51.8
Lowe's	15,893	– 6.1	57,407	+ 3.8
Wolohan Lumber	3,708	+ 35.8	8,356	+ 32.4
SHOPPING CENTER DEVELOPERS				
Federal Realty	687	– 43.8	4,115	– 10.5
Forest City Ent.	796	n/a	1,811	– 26.5
Rouse	1,891	+ 138.8	13,625	+ 56.7
Weingarten	4,268	– 7.2	17,682	+ 30.6

N/A = not applicable because of loss in either current or comparable period
* = earnings and percentages exclude extraordinary items
Source: Company reports

CS 80-U

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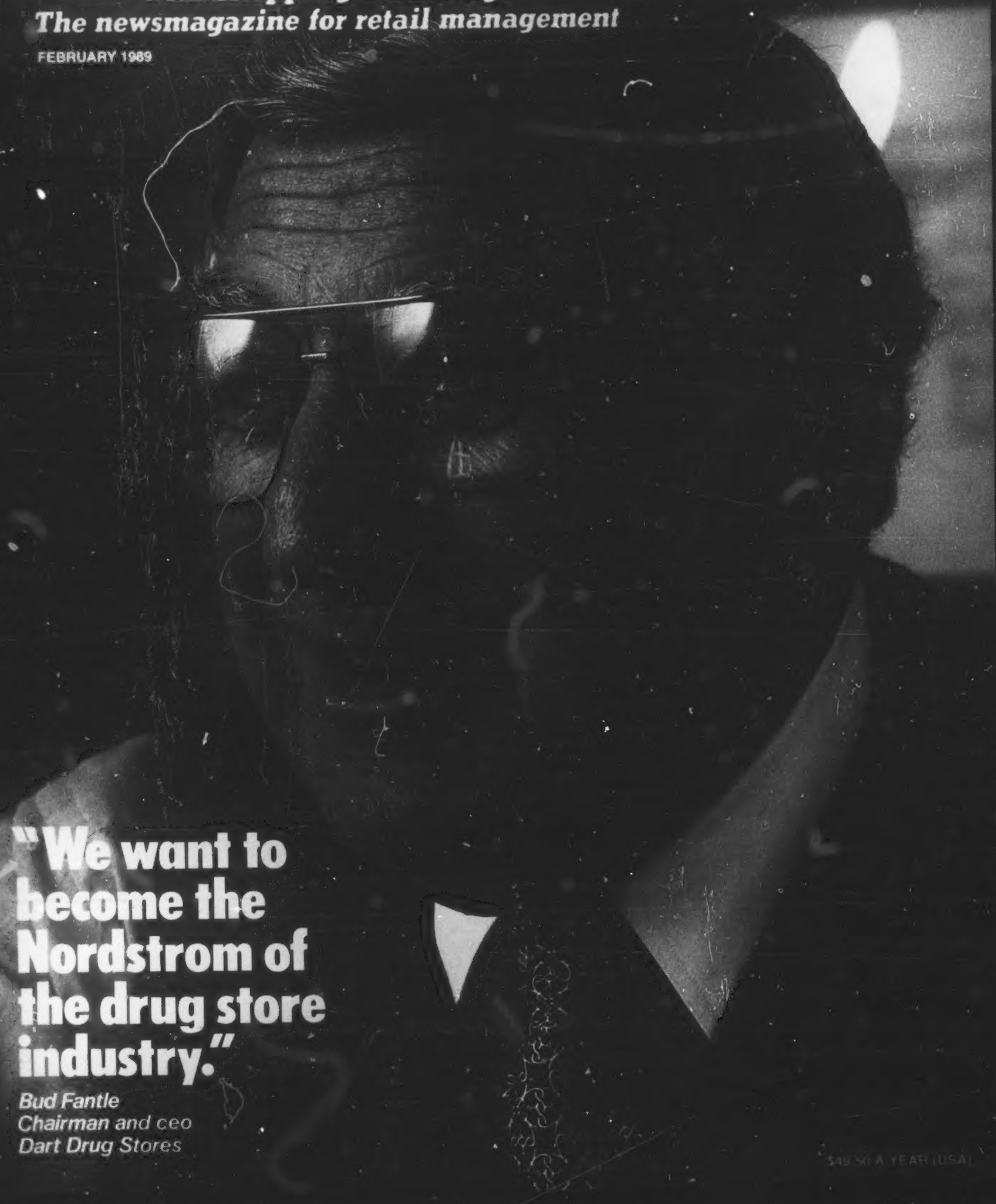
with Shopping Center Age

The newsmagazine for retail management

FEBRUARY 1989



"We want to become the Nordstrom of the drug store industry."

Bud Fantle
Chairman and ceo
Dart Drug Stores

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Vol. 65, No. 2/February 1989

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DEBIT CARDS, EFT STILL GRASPING FOR TOEHOLD

CHECKS, CASH PREFERRED PAYMENT METHODS, SAYS SURVEY

Debit cards and electronic funds transfer are technologies still in search of a market. So says a study by the Payment Systems Education Association (PSEA). The vast majority of customers, according to the survey, prefer to pay for goods and services with checks, cash and credit cards.

Nearly three-quarters (72%) of consumers choose checks as their preferred method of payment.

Twenty-one percent prefer cash. Five percent choose credit cards.

Only 2% prefer electronic payment systems, such as debit cards.

At grocery stores and gas stations, says the survey, where debit card promotion has been strongest, few customers are using the new technology.

Only 2% report using a debit card at a supermarket, while 98% say they never use debit cards for grocery purchases.

Debit cards, such as bank automatic teller machine (ATM) cards, automatically subtract payments from a customer's checking account right at point-of-sale.

"There's no advantage to the consumer with a debit card," says David G. Meyers, PSEA president.

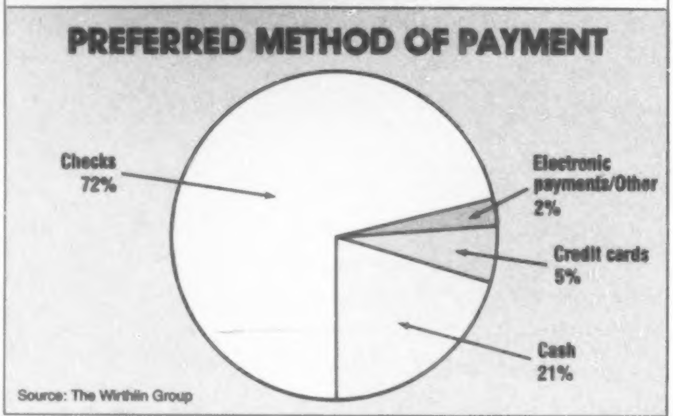
"You still have to record the purchase in your ledger, and you lose the float you get with checks," he says.

According to the study, only 8% of those surveyed report sometimes using electronic funds transfer to pay bills, such as insurance and mortgage payments. Ninety-two percent say they never use EFT.

With EFT, payments are done automatically by debiting a customer's bank account and crediting a vendor's account without a paper exchange.

The study was conducted for the PSEA by The Wirthlin Group, a market research company. The survey measured payment habits of 1,000 households and has a confidence level of plus or minus 3%.

The PSEA is an association of check acceptance companies, check printing companies, paper manufacturers and envelope producers.


PREFERRED METHOD OF PAYMENT

Source: The Wirthlin Group

According to the PSEA study, checks are preferred by all demographic groups, but are most popular with women (75%), those over 25 years old (75%), married people (77%), those with incomes between $30,000-$50,000 (80%) and those with at least some education beyond high school (75%).

Credit cards, in contrast, are preferred by a slightly older (35-54), better educated (60% college graduates) and better paid (50% earn more than $50,000) group.

The number of consumers choosing debit cards is too small to gauge demographic trends.

Not everyone agrees with the survey results, however.

"The study makes the debit card a dinosaur before it even starts," complains Bob Heard, marketing vp for Dallas-based Shared Financial Systems, a software provider for retail and banking debit card systems.

Heard notes that debit card transactions at point-of-sale grew 52% last year.

Debit-only terminal sales, he says, increased 11%. Installation of combined credit/debit/electronic draft capture terminals, Heard says, gained 29% in 1988.

That heady growth, however, adds up to only a fraction of the number of annual transactions at point-of-sale.

But even a small number of debit card transactions, explains Bonnie Van Overbeke, vp-MIS for Tampa, Fla.-based Kash N' Karry supermarkets, can have a significant effect on profits.

The 117-unit grocery chain started a four-store test of debit cards with First Florida Bank in March 1988.

In a typical Kash N' Karry store, Van Overbeke says, 6% of transactions now use debit cards. This compares to 31% for checks and 61% for cash.

At the same location, debit cards are capturing 9% of dollar sales, compared to 84% for checks and 7% for cash.

Kash N' Karry expects to place debit cards in about half of its stores, targeting areas where ATM card penetration is highest.

The most likely customer to use a debit card, Van Overbeke says, is a solid middle-income family.

Women use the cards more frequently than men, and university students like using debit more than any other demographic group, she says.

Other benefits: Debit cards do more for the Florida supermarket chain than just raise the average sale and give the grocer immediate access to cash.

Transaction cost to the retailer for a debit card transaction is significantly lower than for a processing a check. On the average, it costs retailers 15¢ more to accept a check for payment than to process a debit card transaction.

Decreasing the amount of tender time was another one of Kash N' Karry's original goals going into the debit card test.

> One promotion offered a dozen eggs to customers using debit cards

Van Overbeke says that shorter tender times increase each cashier's productivity and also decreases the customer's wait at the point-of-sale.

She says that tender time with a debit card takes less than 12 seconds. This compares to a nationwide average one minute it takes a customer to write a check, she says.

"If we can get a customer to use a debit card twice," Van Overbeke says, "then she's hooked."

Kash N' Karry has tried a number of incentives to get customers to use debit cards at the supermarket chain.

One recent promotion offered a free dozen eggs to customers who proffered a debit card at checkout.

In addition, the grocery chain produced a video presentation that explains the benefits of debit cards to customers. Originally, it placed monitors in aisles, later moving the television screens directly to the point of sale.

Obstacles: Marketing electronic funds transfer technologies will be the key to their ultimate success or failure.

"The debit card implies a change in human behavior," explains Shared Financial Systems' Heard.

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"Customers have been using checks for years. If there is a change, there also had better be a benefit. It's a marketing issue, not a technological one," he says.

Many customers do not even know that their bank ATM card is a debit card, Heard explains. Those that do understand, often do not know their personal identification numbers.

A bigger problem is a lack of a clear consumer demand for debit cards.

Three years ago, a study by Torrance, Calif.-headquartered Benton International pegged consumer apathy as the No. 1 obstacle to debit card implementation. Little has changed in the intervening years.

High telecommunications charges, also tagged as a major debit card obstacle in the 1986 Benton International survey, are an even greater threat now than three years ago.

Bankers and retailers, meanwhile, continue to haggle over who pays for what in debit card systems.

Often, representatives from the two industries do not even share the same language.

Point-of-sale, Heard explains, means something entirely different to the banker, the retailer and the customer.

To financial institutions the term refers to a retail payment process. To the retailer and consumer, it means a place in the store.

In addition, retailers complain that the banks do not fully comprehend the importance of marketing the new technologies.

"Banks are not very good at marketing," complains Van Overbeke.

Despite the resounding success of some debit card programs, most significantly at Lucky Stores in California, ARCO's am/pm convenience stores, Vons and Mobil, differing technical standards have the potential to slow down debit card expansion.

Particularly troubling to some is the lack of standards for data encryption and message formats. And unlike the retail community's VICS standards, each debit card provider is moving in its own direction.

Despite continuing problems, inroads by debit card technology seems permanent, even if growth has not been explosive.

"We will never have a cashless society, and we will always have checks," says Heard. "Even though," he says, "the debit card is far from extinct." ■

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DEC. SALES SUPPORT QTR.

Buttressed by better than anticipated Christmas sales and tight inventory controls, retailers are expected to produce higher earnings for the quarter which ended last month.

Though buying peaked into its now traditional frenzy in the days before Christmas, shoppers found fewer markdowns. The 1988 holiday season may well be the beginning of a weaning process away from last minute shopping.

Fourteen of the 20 companies tracked by *Chain Store Age Executive* recorded double digit sales increases. More significantly, all but two chains posted comparable store sales increases that exceeded the inflation rate.

Of course, compared to last year most retailers could expect favorable figures. The Limited saw a 28% same store sales boost, further evidence of a rebound.

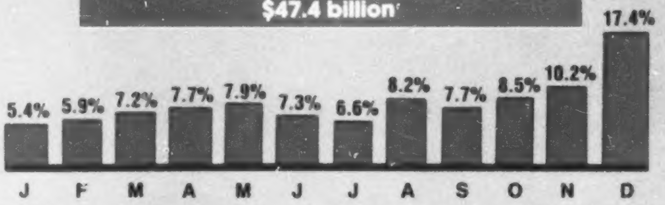
Sears produced the highest monthly sales volume in its 102-year history. "The results are especially gratifying because merchandise markdowns were below last year's level," says Michael Bozic, chairman and ceo of Sears Merchandise Group. While Sears advertised more heavily than in any past season, it did not liquidate inventory in anticipation of its everyday low pricing strategy, a spokesman reports.

Company	Dec. '88 sales (in millions)	% change total	% change comp. stores
Sears	$4,609.4	+ 12.1	+ 8.4
Penney	2,585.0	− 1.2	− 3.6
Ward	803.6	+ 7.6	+ 6.3
Woolworth	1,374.0	+ 16.9	+ 9.3
K mart	4,577.9	+ 10.7	+ 6.8
Wal-Mart	2,967.0	+ 31.1	+ 14.0
Dayton Hudson	2,240.0	+ 12.6	+ 6.6
Ames	970.2	+ 186.5	+ 9.1
Hills	309.8	+ 16.9	+ 8.0
Rose's	206.8	+ 10.7	+ 5.4
Dollar General	80.5	+ 9.1	+ 9.8
May	1,771.3	+ 30.0	+ 10.0
Carter Hawley Hale	520.9	+ 8.2	+ 7.2
Mercantile	426.3	+ 11.1	+ 8.9
Neiman-Marcus Group	231.5	+ 20.1	+ 12.2
Carson Pirie Scott	217.0	+ 13.6	+ 4.3
Limited	738.2	+ 38.9	+ 28.0
Circuit City	312.0	+ 20.6	+ 7.0
Best Buy	86.0	+ 9.0	+ 7.0
Walgreens	628.4	+ 9.0	+ 8.2

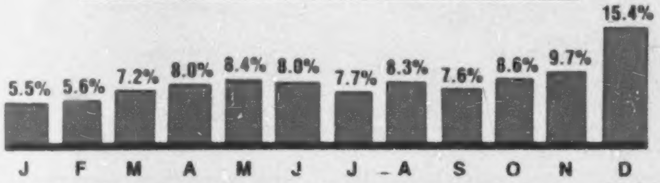
Source: Company reports

RETAIL SALES DISTRIBUTION, JAN.—DEC. 1987

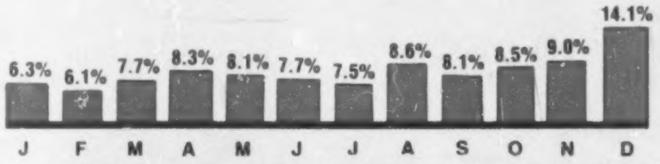
Department stores
$47.4 billion



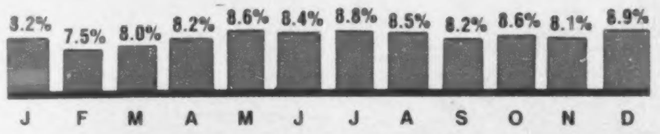
Full-line discount stores
$68.2 billion



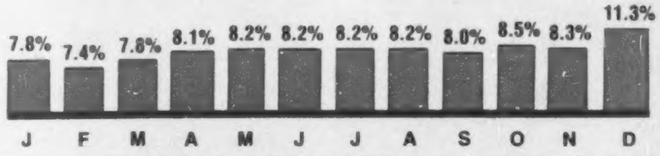
Apparel and accessories stores
$79.1 billion



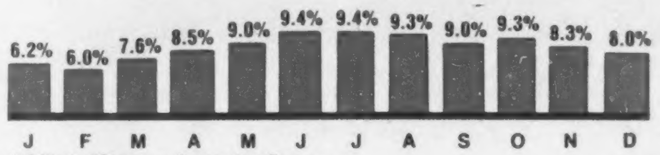
Grocery stores
$296.1 billion



Drug and proprietary stores
$56.0 billion



Building materials, supply stores, hardware
$72.0 billion



Source: U.S. Dept. of Commerce, Bureau of the Census

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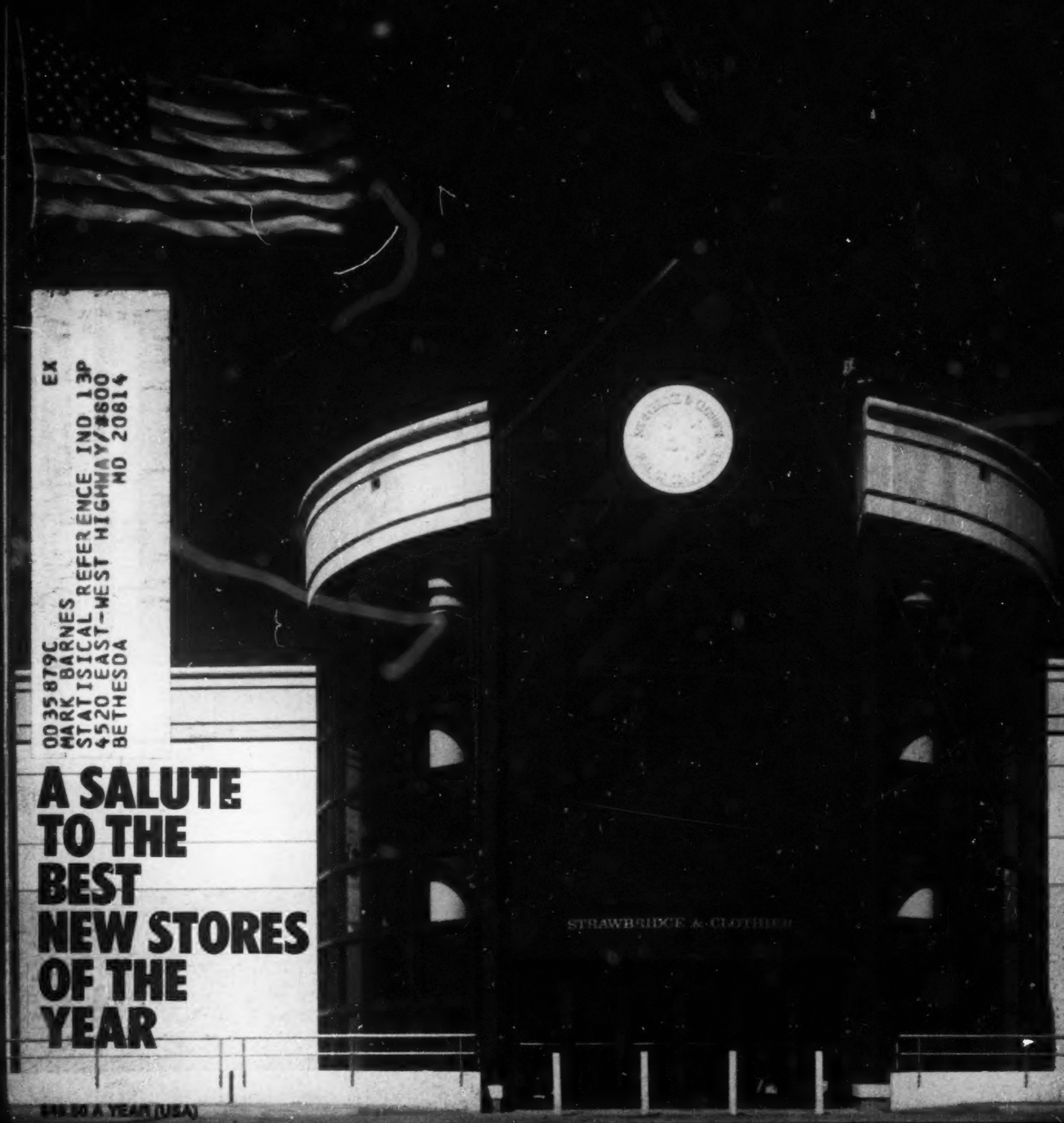

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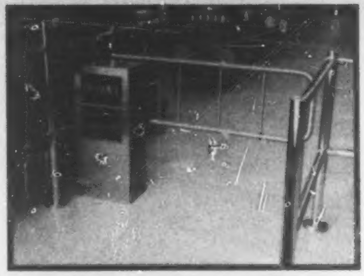

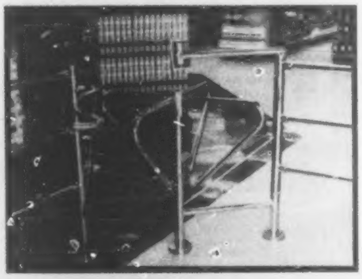

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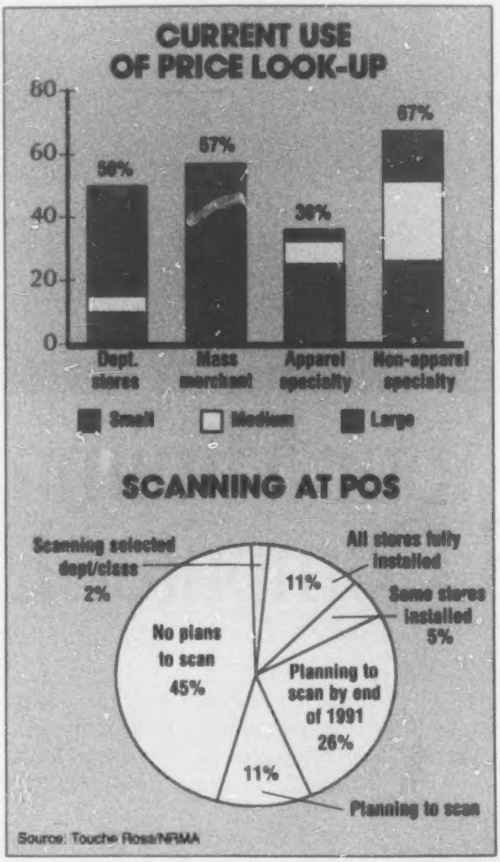
BAR-CODING, EDI INTEREST RUNNING HIGH, SAYS STUDY

TOUCHE ROSS/NRMA POLL SHOWS STRONG SUPPORT

Bar-code scanning already is a reality. Electronic data interchange is just around the corner. These are the major findings of a Touche Ross Retail Services Group survey conducted for the National Retail Merchants Association (NRMA).

Half the retailers in the study say that their companies are committed to scanning bar-code marked merchandise. And the bigger the company, the more likely it is to embrace scanning.


CURRENT USE OF PRICE LOOK-UP

SCANNING AT POS

Source: Touche Ross/NRMA

While only 45% of smaller retail companies (sales less than $50 million) say they are committed to scanning, 77% of medium companies ($50 million-$300 million) and 82% of larger companies (more than $500 million) report that they are committed to bar-code technology.

Scanning's three most important benefits, say retailers in the Touche Ross/NRMA survey, are price accuracy at point-of-sale, checkout productivity and unit inventory accuracy.

Apparel specialty retailers cite improved marketing information as an additional benefit.

Mass merchants, meanwhile, report that lower inventories and faster replenishment are equally important—or even more important—to their business.

How important are the benefits? Judged by the rate of scanning implementation, retail companies rate bar-code scanning's benefits pretty high.

Twenty-eight percent of those in the survey with sales greater than $500 million say they are scanning UPC-A vendor marking already.

Seventy-two percent of all respondents report that they will begin scanning UPC-A vendor marking within 1½-2 years.

All mass merchants in the study, and more than 75% of large department stores, currently are in the process of setting up UPC-A programs with their vendors.

By the end of next year, 100% of mass merchants, 90% of department stores and 62% of specialty stores indicate that they will be scanning UPC-A bar codes.

UPC-A preferred: At the end of 1990, 93% of retailers committed to scanning will use internally-prepared bar-code tickets.

The greatest number (46%) will use UPC-A as their internal bar-code standard. Ten percent expect to use Code 39, 8% Interleaved 2 of 5, 7% Code 128, and 9% other bar codes.

Twenty percent still are undecided as to what code they will use internally.

Laser wands are the most-used scanning technology, according to the Touche Ross/NRMA study. Fifty-two percent of retail companies that already scan are using wands. Forty-five percent hand-held laser guns, 2% flat-bed scanners and 1% side scanners.

More than half of retailers that already are scanning say they use price look-up (PLU). Non-apparel specialty stores (67%) are the most likely to use PLU. Following are mass merchants (57%), department stores (50%) and apparel specialty stores (36%).

Of all those using PLU, about 3 in 4 do price look-up for all merchandise. Eleven percent report that they use price look-up for event items or selected categories of merchandise (19%).

The biggest barrier to implementing bar-code scanning, say the retailers in the Touche Ross/NRMA study, is the investment costs associated with point-of-sale scanning and marking equipment.

Retailers from both small and large companies cite cost as the single largest obstacle.

Other impediments, says the study, are a lack of vendor-marked goods, systems not in place to support bar-code scanning and few perceived benefits and needs.

Those retail companies committed to scanning, however, plan to use bar coding for more than just point-of-sale applications.

Two-thirds of retailers in the study say that they expect to use bar coding for warehouse functions. Forty percent report that they will use scanning for shelf-stocking purposes.

More than half say their companies will use bar coding for inbound/outbound shipping purposes.

Electronic data interchange: Manual entry still is the most common way that retailers transfer information from the vendor's catalog to their own merchandise files.

Thirty-seven percent of retailers in the survey report that they are entering data manually. Seven percent use magnetic tape; 5% use electronic interchange.

In the near future, however, electronic interchange will be the most common way to transfer data into retailer merchandise files from vendor catalogs.

Twenty-two percent of those in the survey say that they plan to implement electronic interchange. Thirteen percent expect to stick with manual data entry, while 5% will continue to use magnetic tape.

The bigger the company, the more likely it will switch to electronic interchange.

More than half of the biggest retail companies in the Touche Ross/-NRMA poll say that they plan to install electronic information transferral.

Fifty-five percent of survey respondents with sales greater than $500 million already are either using or testing electronic data interchange with selected vendors.

A majority of those in the poll report they are using electronic data interchange to gain a competitive advantage.

The biggest advantage, according to those in the survey, is shortening the re-order fulfillment cycle to develop a Just-In-Time inventory system.

EDI protocols: Sixty-two percent of the survey respondents report that they will use VICS/ANSI X.12 as their EDI protocol of choice. Twenty-one percent cite proprietary protocols, 5% name UCS and 13% pick other protocols.

Third-party mailbox service is the preferred EDI implementation approach, according to the study.

Eighty-three percent of mass merchants choose a third-party mailbox, compared to 65% of department stores, 49% of non-apparel specialty stores and 40% of apparel specialty stores. ■

ABOUT THE SURVEY

The *Bar Code/EDI Survey* was conducted for the National Retail Merchants Association by the Touche Ross Retail Services Group during the fall of 1988. The survey response rate was 15% of the companies receiving the survey.

Forty percent responding are apparel specialty retailers. Thirty-three percent are non-apparel specialty companies (toys, HBA books, sporting goods), 21% department stores and 6% mass merchants.

More than 40% have annual sales greater than $50 million. One-quarter of the respondents have more than 100 retail locations.

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WARM WEATHER HEATS UP SALES

Balmy January weather and relatively clean inventories capped the fiscal year for many retailers, sales in January exceeded those of a year ago by an average 15.8% for the 20 companies followed by *Chain Store Age Executive*.

Only Best Buy suffered through a negative same-store sales comparison, while Wal-Mart, Rose's, Dollar General, Carter Hawley Hale, and The Limited posted double digit increases.

Several of the conglomerates, however, experienced mixed results. Dayton Hudson posted a 15% total sales gain, with an 8% leap for comp stores at Target.

An even more impressive showing came from Mervyn's where a 12% same-store increase contributed to an overall 17% boost. The company's department stores registered a 17% total and comp store sales jump, but Lechmere fell 3% in comp stores sales despite an overall 5% increase.

Separately, Dayton Hudson announced the closing of its nine-store Branden's home furnishings chain which had been in test for four years.

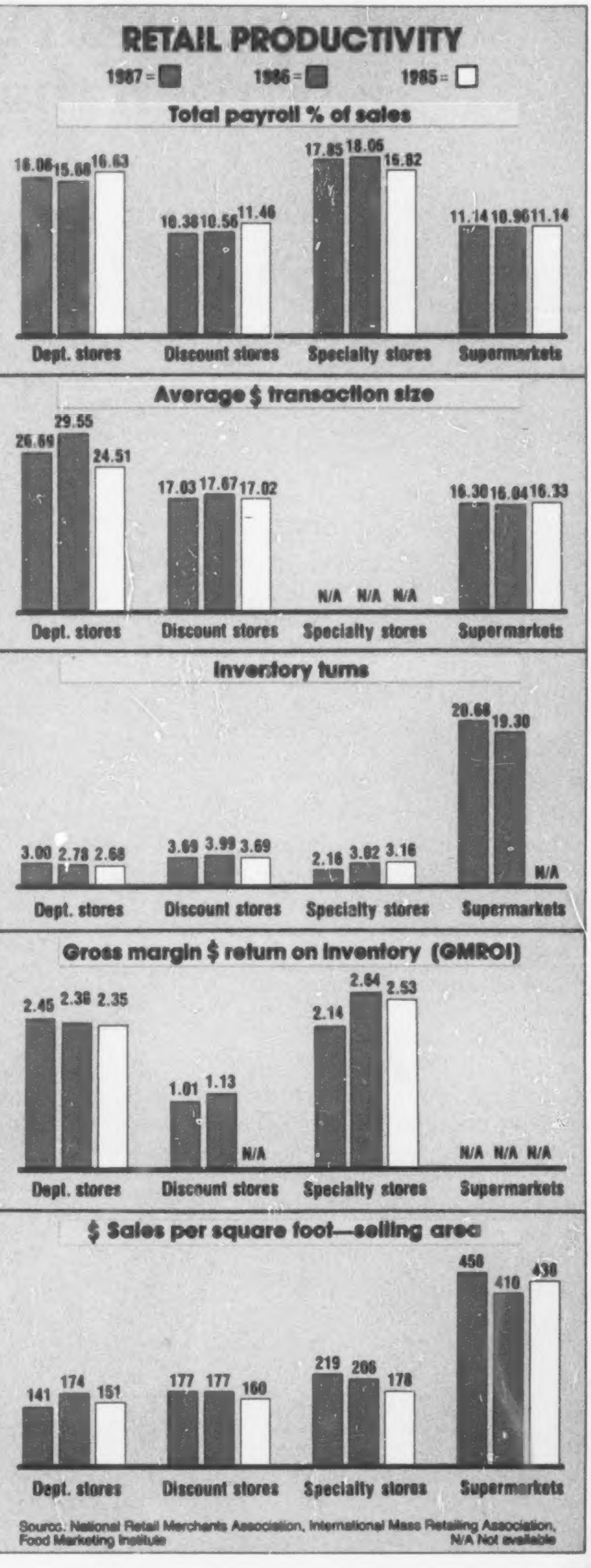
Caldor turned in the best performance for May Department Stores. The New England-based discount chain had a 14.9% total and a 12.9% comp store sales increase. Venture, the Midwest discount division, recorded a 10.7% total and 7.6% same-store improvement. The department stores had a 6.7% same-store hike, while the division's overall 34.1% increase reflects the purchase last year of Foley's and Filene's. Volume Shoe upped its total sales by 13.9%, comp stores by 5.6%.

Thanks to its acquisition of Zayre discount stores, Ames catapulted total sales by 140.6%. Same-store sales in Ames stores achieved a 2.2% increase which came on top of a 24.5% same-store improvement a year ago. ■

Company	Jan. '89 sales (in millions)	% change Jan. '88	% change comp. stores	YTD sales (in millions)	% change YTD '88
Sears	$2,132,048	+ 11.4	+ 6.2	$32,420,243	+ 7.3
Penney	813,000	+ 4.1	+ 1.8	14,853,000	+ 0.6
Ward	274,400	+ 8.3	+ 6.9	4,762,100	+ 4.6
Woolworth	447,000	+ 10.1	+ 6.0	8,009,000	+ 12.1
K mart	1,578,069	+ 8.9	+ 2.5	27,298,639	+ 6.5
Wal-Mart	1,486,000	+ 30.2	+ 13.0	20,646,000	+ 29.1
Dayton Hudson	681,000	+ 15.2	+ 9.4	11,970,000	+ 14.4
Ames	256,000	+ 140.6	+ 2.2	3,376,000	+ 59.8
Hills	65,439	+ 15.1	+ 7.1	1,668,686	+ 10.4
Rose's	68,120	+ 22.2	+ 16.0	1,439,300	+ 7.7
Dollar General	41,300	+ 13.1	+ 12.2	608,800	+ 4.6
May	614,900	+ 25.8	+ 7.6	11,524,200	+ 18.9
Carter Hawley Hale	156,300	+ 13.8	+ 12.7	1,567,300	+ 6.3
Mercantile	114,433	+ 10.1	+ 8.2	2,258,598	+ 4.9
Neiman-Marcus Group	86,100	+ 17.0	+ 4.7	777,700	+ 15.5
Carson Pirie Scott	59,700	+ 6.4	+ 8.3	1,158,600	+ 21.9
Limited	256,700	+ 34.3	+ 28.0	4,070,000	+ 15.0
Circuit City	137,700	+ 23.6	+ 7.0	1,807,000	+ 27.3
Best Buy	38,000	n/c	− 2.0	439,000	+ 18.3
Walgreens	429,711	+ 11.1	+ 10.8	429,711	+ 11.1

n/c = no change

Source: Company reports



Source: National Retail Merchants Association, International Mass Retailing Association, Food Marketing Institute

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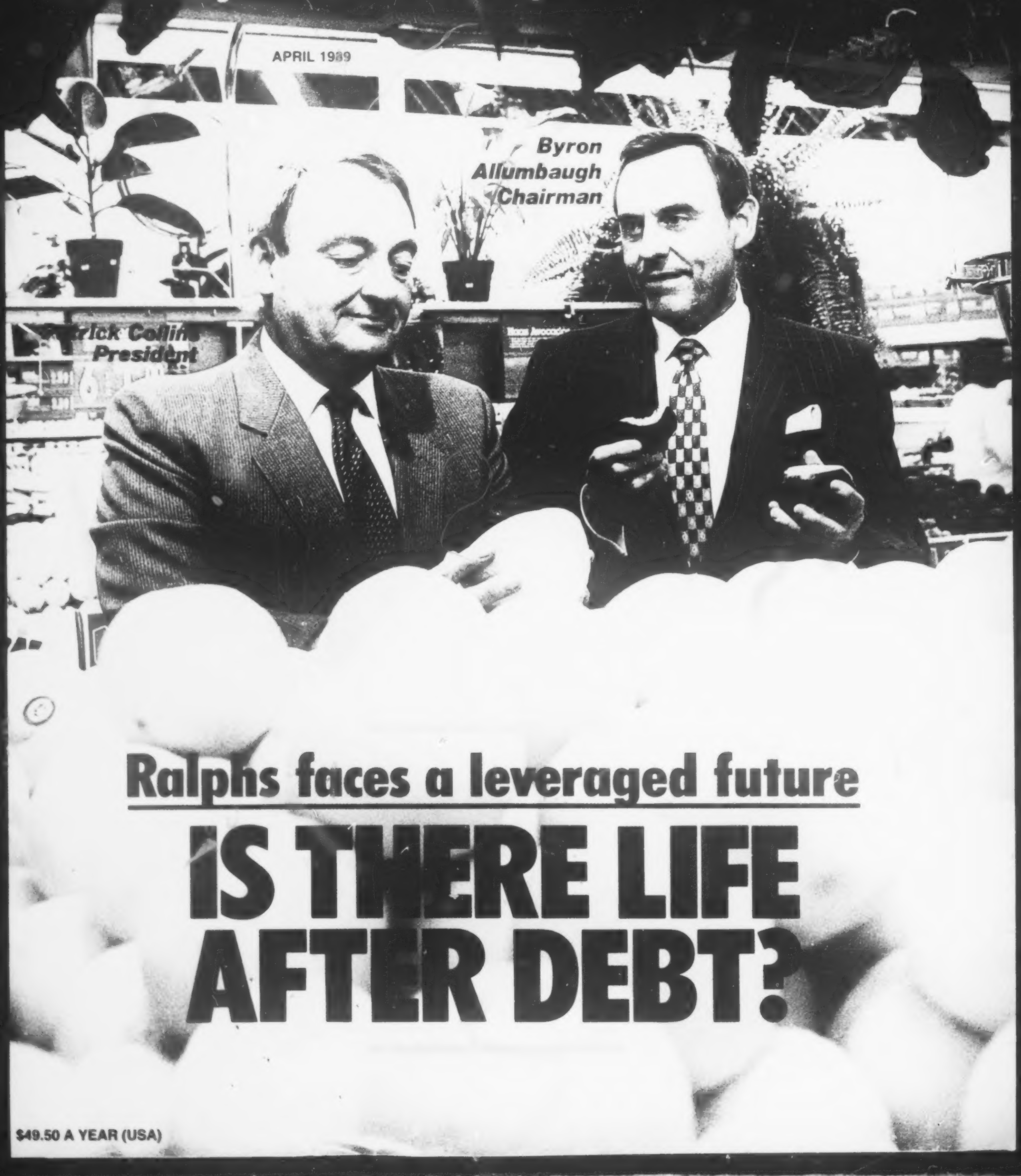

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Ralphs faces a leveraged future

IS THERE LIFE AFTER DEBT?

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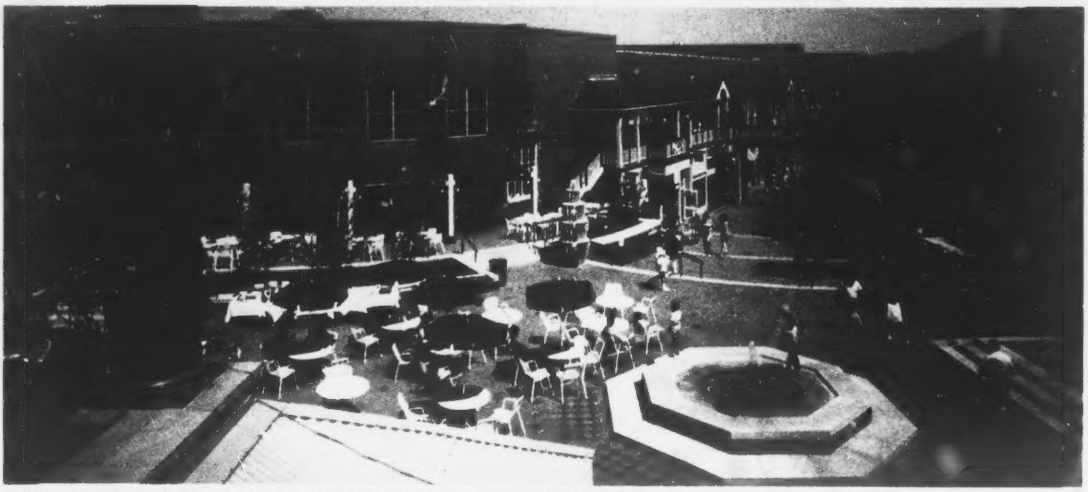

TOO MUCH TOO SOON?

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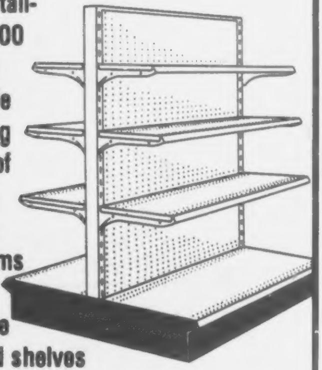

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SALES RISE FOR THIRD MONTH

Retailers posted in February their third straight month of strongly improved sales compared to a year ago, with apparel stores demonstrating the strongest gains.

The Limited again recorded the highest same store sales increases, while The Gap's comparable store sales boost came in just a fraction behind. Several discounters and electronics chains suffered decreases partially the result of being compared to a 29-day month of a year ago.

Improvements continue to be evident in many companies that were depressed a year ago. Aside from The Limited and The Gap, Caldor, Mervyn's, Carter Hawley Hale and Ross Stores enhanced their performances. Caldor continued to ring up double digit comp stores sales increases.

Overall retail sales for 1988, as reported by the U.S. Department of Commerce *(see chart)*, reveal that building materials/supply/hardware stores had the biggest year to year gain. Their sales rose by 16.9%, followed by discount stores 10.4%, drug/proprietary stores 7.1%, grocery stores and apparel/accessories stores, each 5.4%, department stores 3.6%.

Company	Feb. '89 sales (in millions)	% change total	% change comp. stores
Sears	$2,141.9	+ 13.2	+ 6.6
Penney	814.0	+ 5.3	+ 2.5
Ward	277.0	+ 5.2	+ 3.9
Woolworth	493.0	+ 11.0	+ 4.1
Melville	451.7	+ 16.0	+ 5.6
K mart	1,592.8	+ 8.3	+ 3.5
Wal-Mart	1,468.0	+ 25.0	+ 11.0
Dayton Hudson	776.0	+ 11.0	+ 4.7
Ames	277.0	+ 116.4	+ 6.1
Rose's	96.7	+ 5.5	− 0.3
Hills	77.5	+ 5.3	− 1.9
Jamesway	38.2	+ 15.2	+ 8.0
May	715.9	+ 28.0	+ 9.7
Carter Hawley Hale	173.5	+ 14.4	+ 13.4
Mercantile	117.9	+ 4.9	+ 3.9
Neiman-Marcus Group	99.7	+ 22.8	+ 7.1
Carson Pirie Scott	64.8	− 0.2	n/c
The Limited	263.8	+ 22.0	+ 19.0
The Gap	77.7	+ 26.5	+ 18.3
Ross Stores	39.0	+ 8.3	+ 4.0
Tandy/Radio Shack	228.2	− 0.3	+ 1.0
Circuit City	113.9	+ 24.6	+ 8.0
Best Buy	31.0	− 3.0	− 5.0
Walgreens	417.7	+ 7.8	+ 7.6
Lowe's	144.9	+ 4.1	+ 3.3

n/c = no change
Source: Company reports

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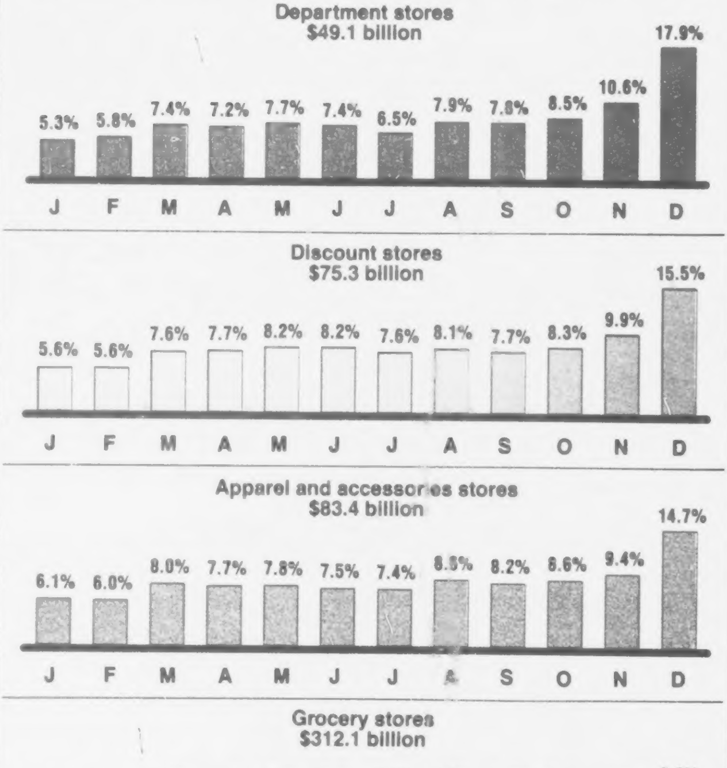

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with Shopping Center Age

The newsmagazine for retail management

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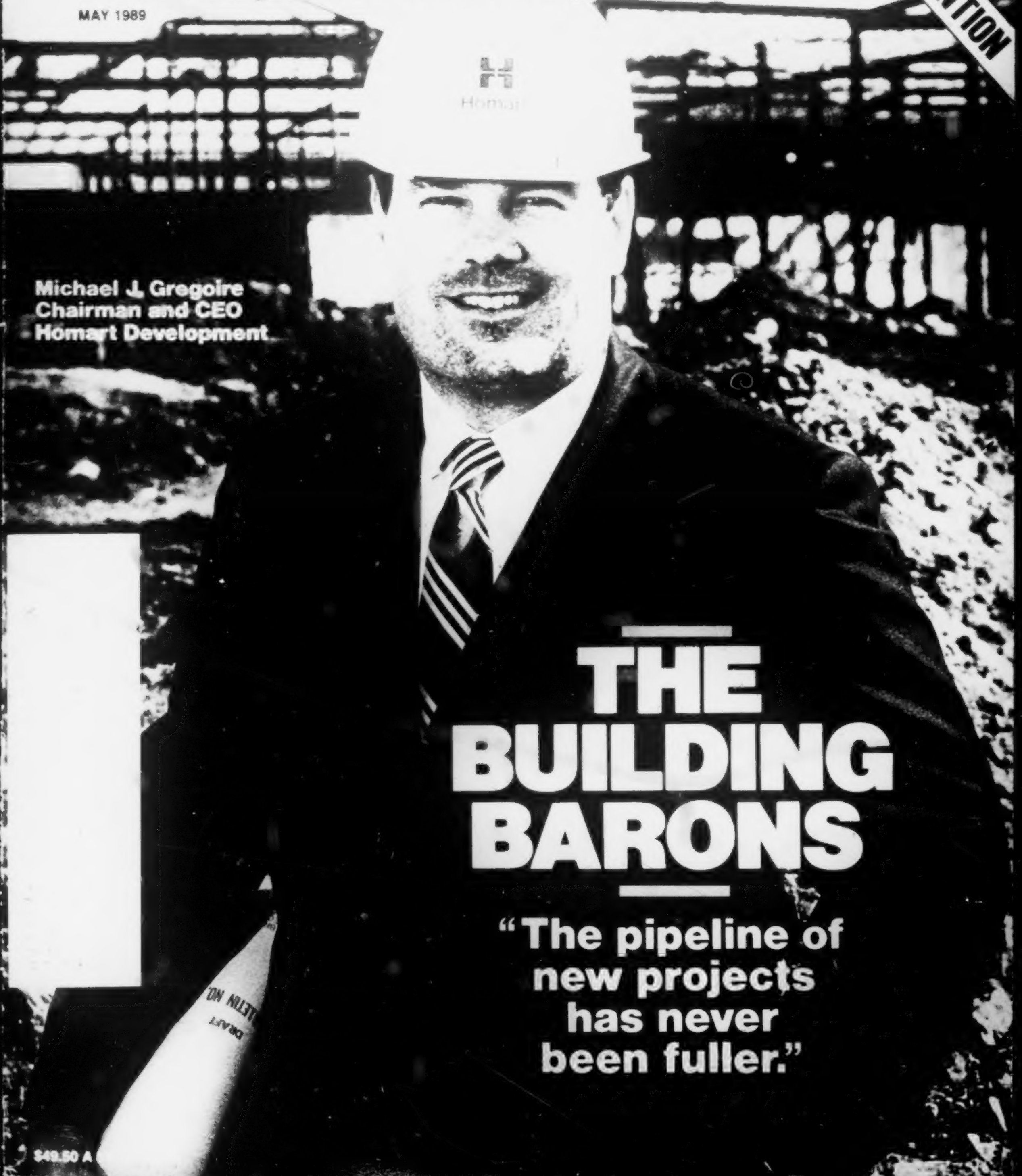

Michael J. Gregoire
Chairman and CEO
Homart Development

THE BUILDING BARONS

"The pipeline of new projects has never been fuller."

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with Shopping Center Age
The newsmagazine for retail management!

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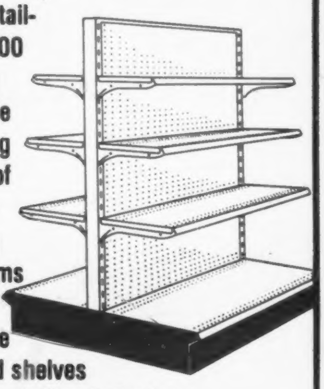

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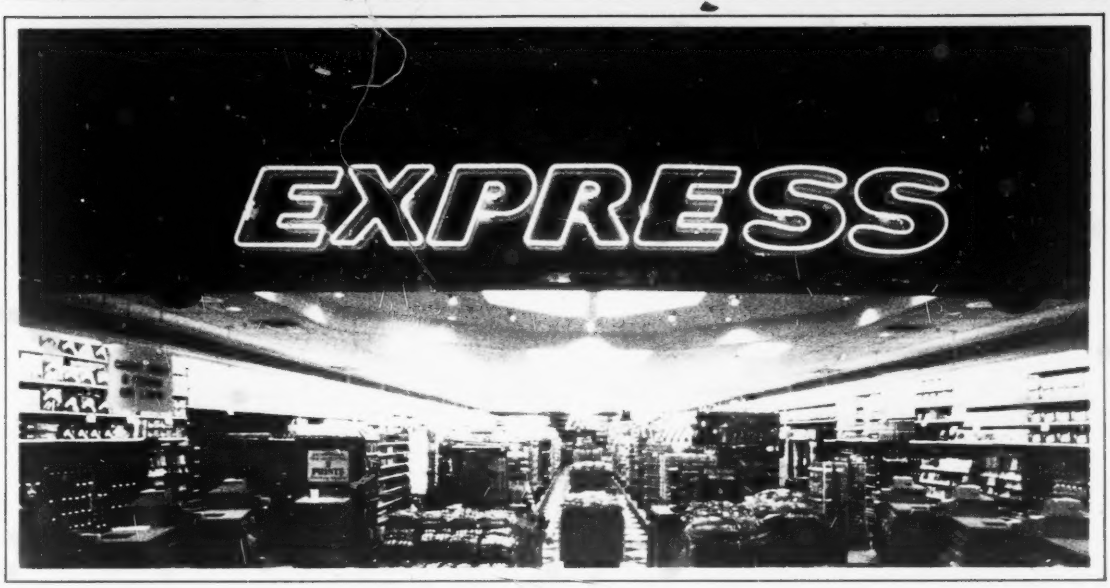

TURNAROUNDS BECOME SWEET DREAMS

Turnaround times are one of the most exciting periods in retailing. *Chain Store Age Executive* profiles four retailers—F. W. Woolworth, Ross Stores, General Nutrition and Leo's Stereo—who have transformed nightmares to sweet dreams. 23

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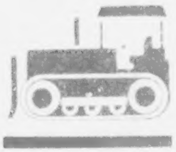
HOMART: BUILDING BARON ON THE MOVE

CHICAGO-BASED DEVELOPER IS IN THE MIDST OF EXTENSIVE EXPANSION PLANS



It began simply enough, back in 1959. Two Sears, Roebuck executives, charged with finding a store site, located one they thought ideal near Fort Worth, Tex.

Local developers didn't agree. Finally, corporate headquarters advanced the money to purchase the 80-acre tract. Sears was in the development business.

Thirty years later, Sears' retail real estate portfolio totals a good deal more than 80 acres.

The success of that first project led the retailer to create a shopping center development arm, named for the corner of Arthington and Homan Streets, an intersection visible from a boardroom window.

The resulting firm, Chicago-based Homart Development, now owns 22,250,000 sq. ft. of retail space around the country, and is in the midst of extensive expansion plans, including a new type of development for the firm—power centers.

Even before Homart's push into power centers, it contributed mightily to new store development. The 3.1 million sq. ft. of new retail space opened by Homart in 1988 rank it third among all developers who cut the ribbon on new selling space last year, according to a survey conducted by *Chain Store Age Executive*.

Ranking first, with a mind-boggling 5.3 million sq. ft. of new retail space in 1988, is Indianapolis-based Melvin Simon & Associates.

Second place belongs to the Edward J. DeBartolo Corp., based in Youngstown, Ohio, which opened 3.7 million sq. ft. Profiles of these and the remainder of the top 10 new space developers follow.

Clearly, being almost thirty-something hasn't slowed Homart down. Nor has the proliferation of new centers stopped the industry as a whole from continuing to grow.

"The popular conception during the late '70s and early '80s was that the great 'Malling of America' has already occurred and is over. Like most generalizations, there is some truth to it, but it is an oversimplification," explains Michael J. Gregoire, Homart's chairman and ceo.

"The pace of development for major enclosed malls has slowed dramatically, from a peak of about 60 per year in the 1970s to between 12 and 15 per year now.

"We see new development continuing at this pace through the next decade, so we definitely are not seeing the last gasp of development. Albeit at a significantly reduced level, additional malls will be built as growth occurs," says Gregoire.

Regions he expects to grow include the Sunbelt, Texas and California.

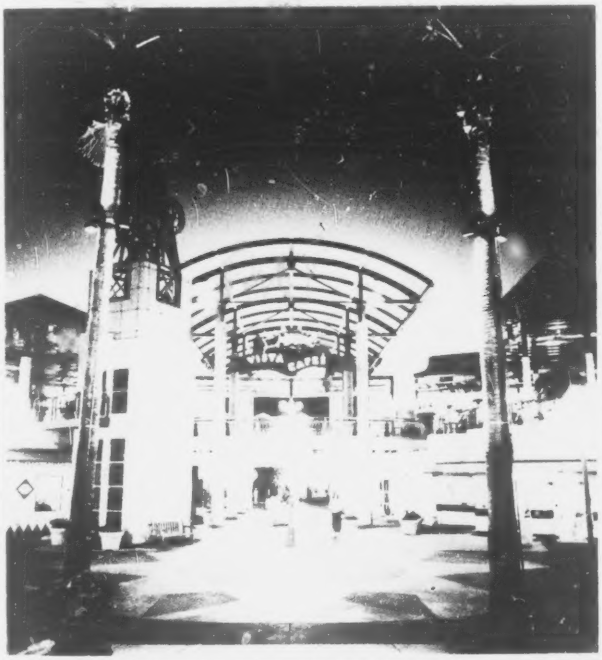
Demographic trends also help. The population should continue to expand for the next 20 years or so, notes Doug Casey, first vp, thus assuring a growing market for retail.

"That doesn't take into account the demographic shifts, such as the baby boomers moving into their peak earning and spending years," Casey adds.

The growth isn't limitless, admits Richard P. Welcome, executive vp-regional mall development.

While the "Malling of America" may not be over, it certainly is well along.

"We've lost the slow



Fastest growing developers

Company	New sq. ft. 1988	Total sq. ft.
Melvin Simon & Associates	5,300,000	59,600,000
E.J. DeBartolo	3,682,840	62,615,619
Homart Development	3,269,054	22,250,000
Kornwasser & Friedman	2,829,000	9,200,000
Alexander Haagen Co.	2,026,207	6,960,229
Price Development	1,915,689	8,150,089
Hahn Co.	1,894,000	38,000,000
Wilmor[illegible]	1,700,000	10,500,000
Cafaro Co.	1,700,000	31,410,377
General Growth Cos.	1,600,000	11,892,000

Source Company reports

Centers opened in 1988

- **Lakeland (Fla.) Square**—1,083,054 sq. ft.
- **The Galleria at Tysons II**, McLean, Va.—795,000 sq. ft.
- **The Parks at Arlington** (Tex.), Phase 1—686,000 sq. ft.
- **Rolling Oaks Park**, San Antonio, Tex., Phase 1—565,000 sq. ft.
- **Chula Vista (Calif.) Center**—140,000 sq. ft.

New centers scheduled to open in 1989

- **Vista Ridge**, Lewisville, Tex.—620,000 sq. ft.
- **Arden Fair**, Sacramento, Calif.—443,000 sq. ft. expansion

Source: Homart Development

'We have about 50 major future projects [illegible]'

[illegible]

Prototype relationship

[illegible]

wayside.

Others feel that development still is possible for the individual builder. While the bulk of regional malls will be built by the major developers, a niche still exists for more entrepreneurial types.

"Strangely enough, the major developers are not as interested in smaller centers. They have an enormous overhead, layers upon layers of executives. They can't afford to build a 40,000 sq. ft. mall. It becomes very clumsy and certainly not cost-effective. The small theme centers and specialty centers can be built by the entrepreneur," says Irving Wolf, president of Irving Wolf & Associates, Santa Monica, Calif.

Built-in obsolescence: The industry's age will be a factor in continued regional mall development, Gregoire adds.

"There may even be a slight increase in the number of new centers because of the normal growth rate of the population in major Sunbelt cities," he says, "combined with the need for the replacement of aging and obsolete centers built in the '50s and '60s."

The passage of time will only increase that need, Welcome adds.

"For every year that goes by, we have an older population of existing centers. In addition, the retail environment is not static in terms of who the good retailers are. Every 10 years, there seems to be a group of new retailers, and that creates opportunity for expansions and remodelings of existing centers," says Welcome.

Also a possibility for Homart is the redevelopment of urban space.

"We're certainly interested in more urban projects. We were in the redevelopment arena early, and it's an area we've gotten a lot of interest in to intensify our efforts. Redevelopment and more urban projects go hand-in-hand together, so it's a complex yes to urban projects," Gregoire says.

The most important and, at this point, most definite new area for Homart is the power center.

The close ties to Sears will prove a boon as Homart builds these promotionally-oriented strips. The retailer's "everyday low price" strategy becomes a perfect, nearly built-in, anchor.

While Homart's decision to try the power field was completely independent, Gregoire says, it certainly was not uninformed.

"The decisions were independent, but not completely so. We knew what they were doing, and obviously our decision to go in that direction was influenced by what we saw happening at Sears," Gregoire says.

Also influencing the decision was a natural competitive instinct.

"As a new regional mall developer, we create regional retail locations. Historically, other developers have acquired land from us or across the street directly from us and built power centers. That's an opportunity that's now available to us. It's a natural extension of what we do," Welcome says.

Major players: Sears won't be the only anchor, of course, and Homart eventually expects the development of power centers to follow the same path to maturity as did major malls.

"As we become a major player in the business, other anchor relationships will develop, and looking ahead 10 years from now, it, too, will be a business of major players," Welcome predicts.

"The projects are getting bigger and more financially complex, physically more complex, and we're uniquely positioned to take advantage of that," Welcome adds.

Early plans call for three to five such centers to be built initially.

Besides the power center format, Gregoire sees Sears' new retail direction as having "a significant effect" on how Homart and other developers will do business in the future.

"The changes at Sears will make it a much stronger merchant. We're going to see significantly higher sales volumes from Sears. They'll be a bigger draw in the centers. It will be easier to lease to them, and they'll still be just as complementary to other major tenants as in the past," Gregoire says.

Retail shrink: If nothing else, Sears is still there and independent, unlike the myriad department stores that have either disappeared completely or been swallowed by larger firms.

"We've shrunk our inventory of retailers so much in the last few years that everyone is grasping for anchor potential. Developers who are department store-aligned are more viable than ever," observes Stan Eichelbaum, president of Marketing Developments, Cincinnati.

On the other hand, Sears, Roebucks' decision to sell Coldwell Banker Commercial Group to an investment group will have no effect on Homart, which is itself a division of Coldwell Banker Real Estate Group, Gregoire says.

"Homart operated independently from Coldwell Banker for many years. Particularly in the shopping center arena, there's been very little interface between Coldwell Banker Commercial Group and Homart. We have done all of our own leasing, management and development," Gregoire says.

The two weren't total strangers, however.

"We have used Coldwell Banker in certain areas to help us with site search and site acquisition work, and we'll continue to do that. The relationship will be about the same. It's a real non-event from an operations point of view," Gregoire says.

Full pipeline: Gregoire's main concern is to continue the growth begun in Fort Worth three decades ago.

"The successful center of the 1990s will be less of a location for a group of stores and more of a platform for merchandising an array of retailers and entertainment," Gregoire says.

"The mall is becoming a store. Successful shopping centers will be more fun, more sophisticated and much more interesting architecturally—and they will be in every city in the country. Some will be developed from the ground up, and some will be redevelopments," he adds.

"We are very excited about Homart's future. The pipeline of new projects we are working on has never been fuller. It sounds incredible, but we have about 50 major future projects in the pipeline, including both mall and major office building projects. We intend to be one of the two or three leading developers in the nation through the 1990s," Gregoire says. ■

—Debra Hazel

MELVIN SIMON & ASSOCIATES

MELVIN SIMON: GROWTH THROUGH DIVERSIFICATION

NO. 1 DEVELOPER TAKES UNLIMITED APPROACH

***Matteson (Ill.) Plaza added** to Melvin Simon's 1988 portfolio with its 269,120 sq. ft.*

Diversification is the name of the game as far as Melvin Simon & Associates is concerned.

The Indianapolis-based developer, which owns 59.6 million sq. ft. of retail space nationwide (and ranks No. 1 among developers in new square footage in a survey conducted by *Chain Store Age Executive*), is an industry leader in mixed-use development.

At the same time, Melvin Simon has remained active in community centers, regional malls and urban redevelopment projects.

"Diversification is a natural evolution of our business," says Herbert Simon, president of Melvin Simon & Associates.

"Opportunities are occurring in mixed-use areas, as well as strip centers, power centers, offices and hotels. We plan on keeping our hands in everything."

Melvin Simon's diversification is not limited to real estate projects. The company also owns a chain of direct diamond importers, a licensed active wear manufacturer, a computerized ticket operation, a hotel and a restaurant.

And, like the DeBartolo Corp. (owners of the San Francisco 49ers and Pittsburgh Penguins), part of Melvin Simon's diversification includes ownership of a sports franchise. The company purchased the Indiana Pacers, a professional basketball team, in 1983.

No retail links: Although Melvin Simon has diversified into other businesses, the main thrust of the organization remains real estate development. The company added 5.3 million sq. ft. of new retail space in 1988. New enclosed malls accounted for 3.5. million sq. ft. New community centers totaled 1 million sq. ft. Expansions of existing properties took up 800,000 sq. ft.

This increase is even more remarkable considering that, unlike many developers (such as Homart, LJ Hooker, Crown American, Campeau or DeBartolo), Melvin Simon does not have a direct financial stake in a retailer. The firm therefore does not have built-in anchors at the ready for forthcoming projects. In fact, the company often must deal with those developer/retailers to properly anchor their centers.

Simon acknowledges that this has made his business more of a challenge. But he does not anticipate the company's going after a retailer in the near future.

"It's certainly not one of our priorities at this time," Simon says.

"We will continue to do what we do best—develop real estate. Retailing is not our business and we really don't understand it."

While Simon is not actively pursuing a retailer, it is looking for ways to extend its influence. Last August, the company, in a joint venture with Prudential Insurance Co. of America, entered into an agreement with St. Louis-based May Department Stores to operate May Centers, the retailer's shopping center subsidiary.

Under the agreement, May and PruSimon (the name of the joint venture between Melvin Simon and Prudential) are 50/50 general partners in a new partnership, May Centers Associates (MCA).

May Centers handles all operations and Prudential provides expertise on investments. Melvin Simon is involved in strategic planning, corporate policy and budgeting matters.

"We're very pleased with our relationship with May Centers," Simon says.

"We will continue to look at new

***Fashion Mall at Plantation** typifies the high-profile direction of Melvin Simon's future projects*

opportunities for investments and acquisitions."

Among those new opportunities are mixed-use projects, in which real estate in addition to retail is involved, often (though not exclusively) in urban environments.

Mixed-uses: In recent years, Melvin Simon has become increasingly involved in mixed-use projects, such as St. Louis Centre, St. Louis, and Newport Centre in Jersey City, N.J. The company is involved in a number of mixed-use projects, which are all in various stages of development.

"We've used our basic development tools to do what we can in mixed-use," Simon says.

"It does seem to be where most of the current opportunities lie."

At the same time, Melvin Simon has returned to its roots by taking an aggressive role in strip center development.

Many developers have turned to strip development to continue their own expansion plans, develop underretailed areas which do not have the available land to accommodate a regional mall, and to maximize the profit potential of land adjacent to their existing centers.

"Strip center activity picked up the early '80s and we've been going full blast since then," says Simon.

Simon is equally enthusiastic about power centers. These large, promotionally-oriented strips are usually found in high-density, urban areas, often near or adjacent to major malls.

"Community center and power center development are two of our most important priorities. We are always on the lookout for peripheral sites to existing or new malls."

One of Melvin Simon's premier projects in 1988 was the Fashion Mall at Plantation (Fla.), developed in a joint venture with Fort Lauderdale-based Deutsch/Ireland Properties. Upscale and high-fashion, the high-profile complex typifies the direction of Melvin Simon's future projects.

The 660,000-sq.-ft. three-level enclosed retail mall, set off by palm trees and marble tiles, is anchored by Lord & Taylor and Macy's.

The mall connects to the Executive Pavilion, a 105,00-sq.-ft. seven-level office building, and a 266-suite Sheraton Hotel. A five-level parking deck and two grade-level parking lots complete the complex.

Fashion Centre: Melvin Simon plans to add approximately 3 million sq. ft. of new retail space in 1989. Among its largest projects will be the Fashion Centre at Pentagon City, Arlington, Va., scheduled to open in the fall.

A joint venture with New York City-based Rose Associates, the 860,000-sq.-ft. shopping mall will be anchored by Macy's and Nordstrom. The four-level mall also will house an eight-screen theater complex.

The Fashion Centre will include a nine-story, 172,000-sq.-ft. office tower and a 345-room Ritz-Carlton Hotel. The center will feature its own underground Metro station.

Simon's expertise in urban redevelopment projects will be on display again this year with the fall opening of A&S Plaza in New York City. The former site of Gimbels' flagship store, the Plaza sits at one of the busiest commuter and pedestrian traffic centers in Manhattan.

The 13-story vertical center, developed in partnership with New York City's Silverstein Properties and Zeckendorf Co., will contain approximately 600,000 sq. ft. of retail space

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and 400,000 sq. ft. of manufacturer's showroom space.

The first eight floors of the Plaza will be anchored by Abraham & Straus. Each level of the department store will open into an atrium with a variety of retailers. An international food court, billed as Manhattan's largest, will top the retail portion of the Plaza.

The Childrenswear Center, located on the four levels above the food court, will serve as a center for the city's children's garment industry.

Hometown project: Urban devel-

Melvin Simon & Associates

Malls opened in 1988

Rolling Oaks Mall, San Antonio, Tex.—1,200,000 sq. ft.
Towne East Square, Wichita, Kan.—1,082,414 sq. ft.
Sunland Park Mall, El Paso, Tex.—900,000 sq. ft.
West Ridge Mall, Topeka, Kan.—860,000 sq. ft.
Crossroads Mall, Omaha, Neb.—825,000 sq. ft.
Miller Hill Mall, Duluth, Minn.—801,436 sq. ft.
Fashion Mall at Plantation (Fla.)—600,000 sq. ft.
University Mall, Little Rock, Ark.—580,676 sq. ft.
Trolley Square, Salt Lake City—240,000 sq. ft.

Community centers opened in 1988

St. Charles Town Plaza, St. Charles, Md.—397,225 sq. ft.
Countryside (Ill.) Plaza—350,000 sq. ft. expansion
Regency Plaza, St. Charles, Mo.—278,000 sq. ft.
Bridgeview (Ill.) Court—273,000 sq. ft.
Matteson (Ill.) Plaza—269,120 sq. ft.
West Ridge Plaza, Topeka, Kan.—268,635 sq. ft.
Northland Plaza, Columbus, Ohio—206,545 sq. ft.
Buffalo Grove (Ill.) Town Center—98,000 sq. ft.

New centers scheduled to open in 1989

Fashion Centre at Pentagon City, Arlington County, Va.—860,000 sq. ft.
A&S Plaza, New York City—800,000 sq. ft.
Lincolnwood (Ill.) Town Center—450,000 sq. ft.
West Town Corners, Altamonte Springs, Fla.—375,000 sq. ft.
Crystal Court, Crystal Lake, Ill.—320,000 sq. ft.
Royal Eagle Plaza, Coral Spring, Fla.—200,000 sq. ft.
Lincoln Crossing, O'Fallen, Ill.—240,000 sq. ft.
Costa Verde, La Jolla, Calif.—178,000 sq. ft.

Source: Melvin Simon & Associates

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opment is also the concept behind Circle Centre in the heart of downtown Indianapolis.

The $1 billion housing/office/hotel/retail complex will cover three and a half city blocks and will feature approximately 1 million sq. ft. of enclosed retail space, 2 million sq. ft. of office space and a new hotel. Nordstrom, Saks, L.S. Ayres and Lazarus will anchor the project.

The Centre's retail space, along with some of the hotel and office space, is expected to open in the fall of 1992. The rest of the project should be completed by the turn of the century.

Also expected to open in the early 1990s is Seminole Properties, the firm's mixed-use project in Orlando. A joint venture with locals Norman Rossman and American Pioneer Savings Bank, the project will feature a 1 million-sq.-ft. regional mall, 600-room hotel, 800,000 sq. ft. of office space, and approximately 500,000 sq. ft. of retail space contained in outparcels and a community center.

> 'We will continue to do what we do best—develop real estate'

Current plans call for the project to be developed in four phases. The first will comprise 600,000 sq. ft. of the mall space and 300,000 sq. ft. of the strip GLA.

Melvin Simon's penchant for unique, high-profile projects is evident in the openings it has scheduled for upcoming years. By far, the most controversial of these is the Mall of America complex, located on a former baseball stadium lot in Bloomington, Minn.

The project is a joint venture between Melvin Simon and Triple Five Corp. of West Edmonton, Alberta, Canada, developers of the 5.2 million-sq.-ft. West Edmonton Mall. When completed (spring 1991), Mall of America will be the largest retail and family entertainment complex in the nation.

While Triple Five won the rights to develop the site in 1985, it was the December 1987 addition of Melvin Simon that has given the oft-delayed project the push necessary for completion.

The 4.2 million sq. ft. mega-mall will feature 2.6 million sq. ft. of retail space, with eight department stores and approximately 800 specialty stores.

The retail area will encircle a 300,000-sq.-ft. enclosed family entertainment park, created by Knott's Berry Farm. Nightclubs, restaurants, a 1,000-room hotel and a 16-screen cinema are also planned for the site.

Hooray for Hollywood: Another high-profile project is Hollywood Promenade in Hollywood, Calif., scheduled to open in spring 1991. A retail/office/hotel/entertainment complex that will wrap around the legendary Mann's Chinese Theater, the Promenade will be the cornerstone of a $900 million renaissance of Hollywood.

> 'We've used our basic development tools to do what we can in mixed-use'

The project will spotlight a 400-room hotel and 400,000 sq. ft. of retail/entertainment space. Office space also will be available.

The anchors for the project will be American Cinematheque, a not-for-profit film cultural organization, and Hollywood Exposition, a museum devoted to the entertainment industry. The complex is due to open in 1991.

Both of these projects also provide further evidence, albeit on a grander scale, of the growing trend toward entertainment complexes within shopping centers.

Circle Centre, Mall of America, and Hollywood Promenade are just a few of the many projects Melvin Simon has on the boards for the early 1990's. Although real estate development has become more challenging, company president Herb Simon says, great opportunities still exist.

"Things have gotten tougher, but there are always new opportunities," Simon says.

"We plan to make the most of them. It's just a matter of doing the best job you can." ■

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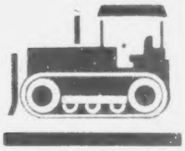
***DeBartolo opened Rivercenter** in downtown San Antonio, Tex., in 1988*



- Mall developers building strip centers alongside their regionals
- Interest in downtown mall development
- Developers owning all or part of retailers

If there's a trend going on in the shopping center industry, odds are that the Edward J. DeBartolo Corp. of Youngstown, Ohio, is involved.

This regional mall developer is adding to its community center portfolio by developing its own adjacent strips.

Its widely-touted stake in Campeau Corp.'s acquisition of Federated (and less-heralded partnership with Dillard) is still expected to result in 10 new malls per year.

And so far, the company has experimented with downtown development, opening two downtown projects in the past year.

Its success has been obvious—as of year-end 1988, the company, founded in 1948, owned 62,615,619 sq. ft. of retail space around the country.

And that's not all. The company's growth has gone beyond retail real estate to include office projects, and several Holiday Inns as well as other hotels.

> Many projects will include a strip center adjoining the main mall

Sports-related real estate properties consist of the Louisiana Downs, Remington Park and Thistledown racetracks (located in Bossier City, La., Oklahoma City and Cleveland, respectively), and Pittsburgh's Civic Arena.

The last is the home to another DeBartolo holding, the National Hockey League's Pittsburgh Penguins.

Perhaps the best-known DeBartolo sports holding, however, is the National Football League's three-time (and reigning) Super Bowl champion San Francisco 49ers.

The team actually is owned by Edward J. DeBartolo Jr., who also serves as president and chief administrative officer of his father's firm. (Also working for dad is Marie Denise DeBartolo York, executive vp-public relations and personnel.)

Peripheral development: Retail, however, remains the heart of the family business. Plans for the coming years should only increase the amount of DeBartolo's retail space, both with the development of new malls with Campeau and other developers, as well as additions to other properties.

Like many of the other major developers, DeBartolo increasingly is concentrating on peripheral development, building community centers that spring up alongside its own major malls.

Last year saw the opening of both Lakeland (Fla.) Square mall, with 1,083,054 sq. ft. and the adjacent Grove at Lakeland Square, a 203,763-sq.-ft. strip.

The trend will continue. Many of DeBartolo's upcoming projects will include a strip center adjoining the main mall.

Chesapeake Square, opening in 1989 in Chesapeake, Va., is 984,460 sq. ft. with 350,000-sq.-ft. Chesapeake Center adjoining. Also opening this year is the Terrace at the Florida Mall, a 314,069-sq.-ft. strip adjacent to the firm's existing mall in Orlando.

Other developers note that doing its own peripheral development allows DeBartolo to create profit out of space previously sold to others, as well as to control the use of that space.

Edward J. DeBartolo, chairman and ceo, says his firm also has other reasons to build strips. One is that it

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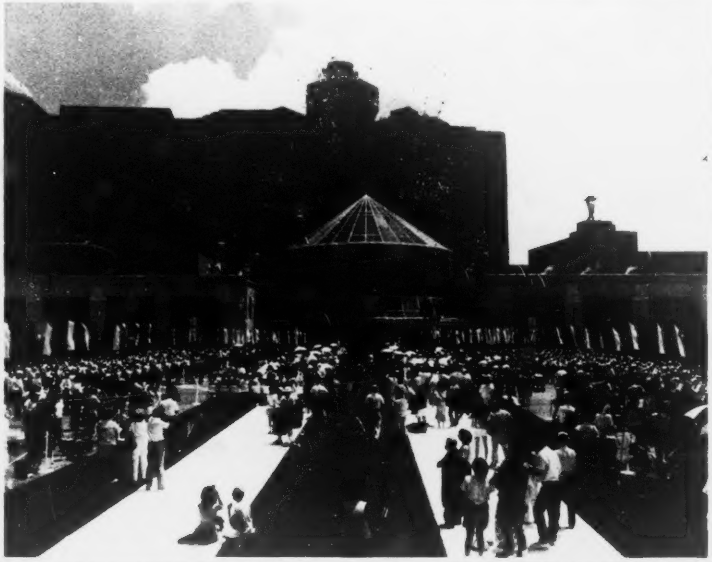

***New Orleans Centre is an example** of one of DeBartolo's newest trends—the urban mall*

simply is more possible to do now.

"The main reason we are doing it is that we're buying larger tracts of land now. Besides, we're realizing that we can make the property more attractive by building a strip center or office building on the site. So we're proceeding with that type of development," says DeBartolo.

Besides maximizing profit, the tax advantages are significant.

"When you sell a piece of land, you pay taxes on that value, and it's gone. If you hold on to the property, it keeps increasing in value," DeBartolo adds.

DeBartolo also is renovating and expanding existing properties to maximize property value. Expansions opened in 1988 include Columbia Center in Kennewick, Wash., which grew by 245,000 sq. ft., and a 43,000-sq.-ft. addition at Maple Leaf Plaza in Chardon, Ohio.

The process will continue in 1989, with expansions and/or renovations scheduled for Altamonte Mall, Orlando, Fla., Great Lakes Mall in Mentor, Ohio, Boynton Beach Mall, Palm Beach County, Fla., Cheltenham Square, Philadelphia, and Woodville Mall, Toledo.

While the traditional suburban regional mall and strip remains the firm's mainstay, DeBartolo has taken a plunge into one of development's newest trends—the urban mall.

The firm opened downtown projects New Orleans Centre and Rivercenter in San Antonio in 1988. No others, however, are on the boards.

Special challenges are inherent to downtown building, DeBartolo explains.

"You need subsidies for urban development. You also have to plan for deck parking and high-rise buildings. The costs are tremendous," he says.

Edward J. DeBartolo Corp.

Centers opened in 1988

Rivercenter, San Antonio, Tex.—1,068,000 sq. ft.
Lakeland (Fla.) Square—1,083,054 sq. ft.
New Orleans Centre—813,695 sq. ft.
Columbia Center, Kennewick, Wash.—245,000 sq. ft. expansion
Westfield Plaza, Belleville, Ill.—226,328 sq. ft.
The Grove at Lakeland Square—203,763 sq. ft.
Maple Leaf Plaza, Chardon, Ohio—43,000 sq. ft. expansion

New centers scheduled to open in 1989

Chesapeake (Va.) Square—984,560 sq. ft.
Port Charlotte (Fla.) Town Center—931,534 sq. ft.
Biltmore Square, Asheville, N.C.—687,544 sq. ft.
Ashland (Ky.) Town Center—524,453 sq. ft.
Chesapeake (Va.) Center—350,700 sq. ft.
Terrace at the Florida Mall, Orlando—314,069 sq. ft.

Source: The Edward J. DeBartolo Corp.

Perhaps for that reason, future developments will concentrate on suburban centers.

In addition to the Chesapeake centers, 1989 openings will include Port Charlotte (Fla.) Town Center with 931,534 sq. ft., Biltmore Square in Asheville, N.C., at 687,544 sq. ft., and Ashland (Ky.) Town Center with 524,453 sq. ft.

Looking past 1989, the 1990s will see the openings of Bowie (Md.) Town Center, Northfield Center in Kankakee, Ill., Maryland Farms Fashion Square in Nashville and others.

Ready-made anchors: While other developers might be scaling back their plans, DeBartolo has no intention of slowing down development. For one thing, DeBartolo has an advantage over many developers in its close ties with several potential anchors. Its relationships with both Campeau and Dillard provide a ready-made set of anchors for new projects.

The company's financial interest in Campeau Corp. is progressing well, DeBartolo says. Previously announced plans to begin a 10-mall-per-year schedule are still on track, he says.

DeBartolo notes that his relationships with Campeau and Dillard are part of an ever-growing trend.

"There are more developer/retailer relationships than ever before—Hess's with Crown American, Homart and Sears, and now to some extent, Melvin Simon with the May Co. and Prudential," he notes.

(Melvin Simon & Associates, based in Indianapolis, has joined with May Co. and The Prudential Life Insurance Co. in May Centers Associates, which manages the firm's shopping centers.)

DeBartolo acknowledges that his anchor relationships can make that particular portion of development easier. Overall, though, the industry has become much more of a challenge, he says.

"Development is unbelievably different now. Just getting approvals from local boards and the environmentalists is much more difficult," he says.

While the development process may have changed, one other part of doing business has not.

"What's important is to have good people in an organization," DeBartolo says. "We're lucky to have extremely capable key people." ■

POWER CENTERS FUEL KORNWASSER & FRIEDMAN

PRICE CLUB VENTURE ADDS IMPRESSIVE INCREASES TO FIRM'S TOTALS

The explosive success of the Price Club is indeed good news for Joseph Kornwasser. After all, Kornwasser and his partner Jerald Friedman are the shopping center joint venture partners for Price Club.

Working in conjunction with Price Club contributed to the company's 2.8 million sq. ft. gain

The rapid growth of the wholesale club operation contributed to Kornwasser & Friedman's impressive gain of more than 2.8 million sq. ft. of space last year.

The firm has worked in conjunction with Price Club since 1983. The majority of Kornwasser & Friedman centers unwrapped last year not only feature a Price Club, but also are called Price Club Plaza.

"Price Club did account for a tremendous amount of our growth last year," confirms Joseph Kornwasser, managing partner of the Los Angeles-based firm.

With locations in California, Arizona, and the northeast corridor from Virginia to Connecticut, the developer specializes in large, community centers and promotional facilities.

According to Kornwasser, most of the centers are in the 200,000 to 500,000 sq ft. range. Shopping centers account for about 90% of the 10-year-old firm's business.

Korwasser's primary strategy, the power center, is a widely-discussed, if still often misunderstood, form of development.

Most developers agree that the basic definition of a "power" center is a large strip dominated by promotionally-oriented anchors such as Price Club. Small tenant space occupies a smaller proportion of the center than in other forms of development.

Power centers work best where high traffic makes up for lower prices

Promotional centers have been strong vehicles for Kornwasser & Friedman with tenants such as Price Club, Home Depot and T.J. Maxx. Though these power retailers can pull shoppers in from many miles, Kornwasser says he still prefers urban locations in dense population areas.

High-traffic locations: Kornwasser is not alone in his preference. Power centers generally work best in urban areas, as the center's strategy requires that high traffic make up for lower prices.

Though many power centers are springing up close to major malls to capitalize on their traffic (some are being built by regional mall developers), Kornwasser has not yet begun subscribing to the mall-piggyback theory.

"Although our projects are not necessarily near malls, they are all in urban areas," says Kornwasser. "And they all have good accessibility to suburban roadways."

The majority of Kornwasser & Friedman's centers are being built close to its Southern California base, a region where the line between urban and suburban often is quite blurred.

However, the company is now expanding to the other coasts, opening a similarly-sized, identically-named project in North Haven, Conn.

While promotional centers use less GLA than regional malls, Kornwasser is quick to point out these centers need plenty of parking spots.

"We have a minimum of 6 spaces per 1,000 sq. ft. of space," he notes. An average center may only have 4 or 5 spots per 1,000 sq. ft.

The extra space is needed for what many see as the power center's main advantage: the ability to drive up, shop quickly and depart.

More promotional centers are ahead for Kornwasser & Friedman. The decreasing time spent in shopping by American consumers has led many developers to increase their participation in all forms of strip cen-

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ters, including large community and promotional centers.

"Increasing numbers of people are becoming value and convenience-oriented," Kornwasser says.

As a result, even more space, 3,061,000 sq. ft., will be opened this year. A substantial portion, though by no means the majority of that space, will be expansions of projects opened in 1988. For example, Price Club Plaza in Corona, Calif., will see another 423,000 sq. ft. added to its already opened 112,000 sq. ft.

The new centers will be built in California and Arizona, with the East Coast projects at Glen Burnie and White Marsh receiving 160,000-sq.-ft. and 45,000-sq.-ft. expansions, respectively.

There is room for experimentation, however, and the firm is looking into mixed-use projects which combine retail, entertainment and food.

This same trend is being followed by regional mall developers, who are renovating retail space into food courts, and building entertainment centers in new projects.

Just as strips are becoming "power centers," regional malls are becoming mega-malls. Examples include the recently opened Forest Fair Mall in Cincinnati and the upcoming Mall of America in Bloomington, Minn.

But entertainment, Kornwasser cautions, is not a panacea for all shopping centers. "It works well in certain areas," he says.

Again, most developers believe that a more urban, higher density population is the key to success when it comes to locating entertainment in a shopping center.

As for Kornwasser & Friedman, growth will continue at high speed on all fronts. The company, Kornwasser notes, has not even reached its midpoint yet. "We are in an aggressive growth pattern," he says. "We anticipate a great deal of completed centers within the next three to four years." ■

Kornwasser & Friedman

Centers opened in 1988

Price Club Plaza, Chula Vista, Calif.	327,000 sq. ft.
Price Club Plaza, North Haven, Conn.	323,000 sq. ft.
Price Club Plaza, Glendale, Ariz.	224,000 sq. ft.
Madison Square, Carmichael, Calif.	217,000 sq. ft.
Price Club Plaza, Alhambra, Calif.	210,000 sq. ft.
College Square, Cerritos, Calif.	170,000 sq. ft.
La Mirada (Calif.) Shopping Center	152,000 sq. ft.
Price Club Plaza, San Juan Capistrano, Calif.	139,000 sq. ft.
Price Club Plaza, Phoenix, Ariz.	130,000 sq. ft.
Price Club Plaza, Edison, N.J.	120,000 sq. ft.
Price Club Plaza, Glen Burnie, Md.	120,000 sq. ft.
Price Club Plaza, North Sacramento, Calif.	120,000 sq. ft.
Price Club Plaza, Colton/Rialto, Calif.	112,000 sq. ft.
Price Club Plaza, Corona, Calif.	112,000 sq. ft.
Price Club Plaza, Hampton, Va.	112,000 sq. ft.
Price Club Plaza, White Marsh, Md.	112,000 sq. ft.
Norwalk (Calif.) Village	66,000 sq. ft.
Columbia Savings Plaza, Los Angeles	63,000 sq. ft.

New centers scheduled to open in 1989

Price Club Plaza, Corona, Calif.	423,000 sq. ft. expansion
Price Club Plaza, Azusa, Calif.	295,000 sq. ft.
Price Club Plaza, Tempe, Ariz.	294,000 sq. ft.
Price Club Plaza, Fountain Valley, Calif.	257,000 sq. ft.
Price Club Plaza, Tucson, Ariz.	202,000 sq. ft.
Price Club Plaza, East Sacramento, Calif.	195,000 sq. ft.
Price Club Plaza, South Sacramento, Calif.	163,000 sq. ft.
Price Club Plaza, Glen Burnie, Md.	160,000 sq. ft. expansion
Hollywood (Calif.) Galaxy	150,000 sq. ft.
Price Club Plaza, Colton/Rialto	140,000 sq. ft. expansion
Price Club Plaza, Glendale, Ariz.	128,000 sq. ft. expansion
Price Club Plaza, Santa Ana, Calif.	124,000 sq. ft.
Pan Pacific, Los Angeles	118,000 sq. ft.
Price Club Plaza, Inglewood, Calif.	110,000 sq. ft.
Price Club Plaza, San Juan Capistrano, Calif.	77,000 sq. ft. expansion
Price Club Plaza, Pomona, Calif.	69,000 sq. ft.
Price Club Plaza, North Sacramento, Calif.	53,000 sq. ft. expansion
Price Club Plaza, White Marsh, Md.	45,000 sq. ft. expansion
Price Club Plaza, San Jose, Calif.	40,000 sq. ft.
Price Club Plaza, Hampton, Va.	19,000 sq. ft. expansion
Price Club Plaza, North Haven, Conn.	9,000 sq. ft. expansion

Source: Kornwasser & Friedman Shopping Center Properties

HAHN CO.

HAHN BRINGS ITS FLAIR TO THE EAST COAST

SAN DIEGO FIRM ADDS UNIQUE TWIST TO SHOPPING CENTER DEVELOPMENT

Lori Smith is sure glad the Hahn Co. decided to come East.

It used to be that when Smith wanted to go shopping with her two toddlers, she had to drive almost an hour from her Somerset County, N.J., home to Quakerbridge Mall in Lawrenceville, N.J.

No more.

Now she makes a snappy five-minute trip to the 900,000-sq.-ft. Bridgewater Commons, one of San Diego-based Hahn's major new centers opened in 1988. The center is anchored by New York retail mainstay Macy's, with Lord & Taylor soon to replace other original tenant Hahne's.

Bridgewater Commons brought the Hahn style of shopping center to New Jersey

Smith is not the only beneficiary of Hahn's move East. Though Somerset County is one of New Jersey's three fastest-growing counties, until Bridgewater Commons its residents were without a regional mall. Bridgewater Commons also brought a new style of shopping center to New Jersey—the Hahn version.

"Bridgewater Commons represents our first move East," reports John M. Gilchrist Jr., president and ceo of the shopping center development company.

The firm owns and operates centers primarily in the West, with other sites in Texas, Iowa, Minnesota and Tennessee.

The Hahn Co. is finding the East Coast equally hospitable. "Bridgewater already is our best performer," Gilchrist says.

Bridgewater Commons, along with three other major centers, helped make Hahn the seventh-biggest developer in the *Chain Store Age Executive* survey.

In total, Hahn added more than 1.8 million sq. ft. in 1988. The firm now owns or manages 53 regional centers, comprising more than 35 million sq. ft., in 18 states.

Big Apple entry: With Bridgewater clearing the path eastward, Hahn now is making its most daring move with construction of Metropolis Times Square, a six-level, multi-use center in New York City.

Gilchrist says there is no better place to announce Hahn's presence on the East Coast than smack in the middle of Manhattan.

Metropolis is not only another venture across the country, but represents a unique twist to developing shopping centers.

"To grow with the future," relates Gilchrist, "you have to look beyond the typical shopping center with four anchors."

That is what he believes is the com-

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pany's key to the future in an increasingly crowded field. He also believes that Hahn has been successful as a developer by delivering quality and innovation.

Shoppers at Bridgewater Commons seem to agree. The center lured new retailers, such as The Nature Company and The Disney Store, to New Jersey. The clever use of dividing shopping levels by types of stores, as well as the stylish use of marble inside the center, shook up the stagnant market, sources say.

Gilchrist also sees a future in rehabilitating downtowns with centers, a task Hahn accomplished at San Diego's Horton Plaza (its No. 3 performing center) and a goal in Times Square.

But Gilchrist also is always looking for acquisition opportunities since he admits that many areas are overstored.

Although the 146,000-sq.-ft. Santa Maria (Calif.) Town Center West is a neighborhood center, Gilchrist says that it does not represent a new direction for the company.

Instead, plans are to open two new regional properties and remodel 4-5 centers per year. Hahn would also like to scoop up a few properties for third party management.

"We've set our sights realistically," Gilchrist says. "We're not opening four, five or six new centers a year. We're providing a type of product that fills a niche for quality and innovation."

Future centers fill that bill.

Hahn is involved with a location outside Orlando, Fla., in conjunction with Jeno Paulucci that is rumored will be one of the most upscale developments in Florida. ■

The Hahn Co.

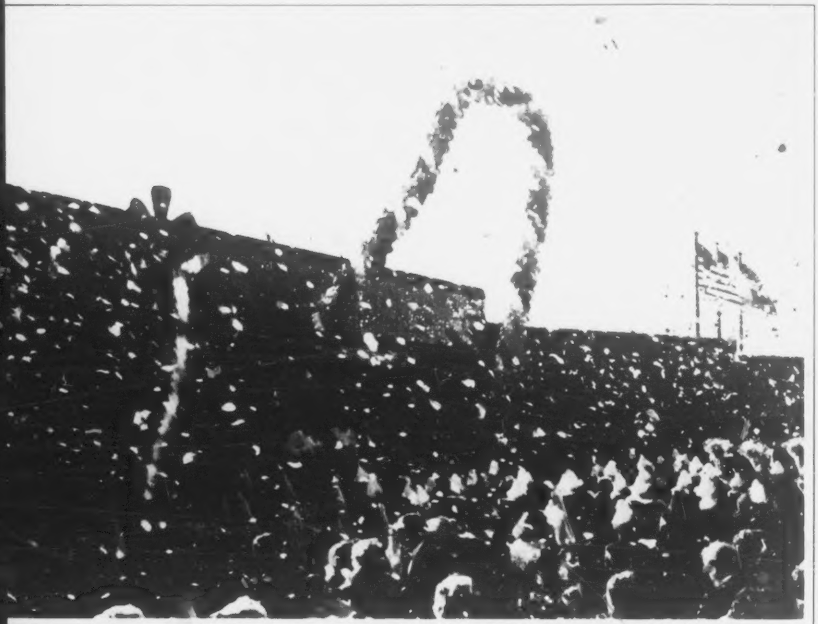
Centers opened in 1988

Bridgewater (N.J.) Commons—900,000 sq. ft.
East Hills Mall (Phase 1), Bakersfield, Calif.—348,000 sq. ft.
Sierra Vista Mall, Clovis, Calif.—500,000 sq. ft.
Town Center West, Santa Maria, Calif.—146,000 sq. ft.

New centers scheduled to open in 1989-90

Towson (Md.) Town Center—529,000 sq. ft. expansion
Metropolis Times Square, New York City—140,000 sq. ft.

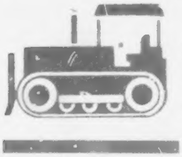
Source: The Hahn Co



***The Mall of the Bluffs, Council Bluff, Iowa**, added 150,000 sq. ft. to its GLA in 1988*

GENERAL GROWTH FLOURISHES USING IN-HOUSE RESOURCES

INTERNAL DIVISIONS SHARPEN COMPETITIVE EDGE



One way to prosper in a competitive environment is to be multi-faceted. That is just what General Growth Cos. does.

The Des Moines-based firm added 1.6 million sq. ft. last year, and a great deal of that new footage is owned, managed and designed via internal divisions of General Growth.

"We can find sites, negotiate for them, work as a developer and even use our in-house architects," says Doug Kline, director of public relations for General Growth.

But using in-house talent has not caused a lack of creativity for General Growth. Its major opening in 1988 was a dazzling 900,000-sq.-ft. Bellis Fair center in Bellingham, Wash., touting five anchors and amenities such as event stages, a community room and a customer service center for the entire mall.

The service center is a location where shoppers can get purchases gift-wrapped, ask questions about the tenants and even ship packages.

The entrance to the mall is dramatic with two 30-ft. glass arches. Beyond that is an atrium housing a 700-seat food court and two event stages. The ceiling is accented with 42-ft. wide pyramid-shaped skylights.

The anchors are: Bon Marche (100,000 sq. ft.), Sears (81,000 sq. ft.), Mervyn's (75,000 sq. ft.), Target (100,000 sq. ft.) and J. C. Penney (63,000 sq. ft.).

"Instead of opening in stages, the entire center opened virtually at the same time," points out Kline. "I'd say everything opened within two months. It was unique for a shopping center."

Since the opening, Kline says the mall has set a pace that is "unparalleled for us."

Across the border: Canadian shoppers are one reason for the center's quick success, Kline explains. The border is only 15 minutes away, although many customers travel from as far as Vancouver.

"We believe this can be attributed to Canadians embracing the mix of stores in the center," he says.

In addition to the launch of Bellis Fair, General Growth enlarged several centers last year.

The Mall of the Bluffs in Council Bluff, Iowa, was the site of a 150,000-sq.-ft. addition. The shopping center was opened in 1986 and work was immediately started to add more space. A 100,000-sq.-ft. Dillard's debuted in 1988 and 50,000 sq. ft. was annexed to create room for more shops. According to Kline, there are now 125 stores, an increase of 25 retailers.

A 120,000-sq.-ft. Sears was tagged onto Dakota Square Mall in Minot, N.D., last year, while a Sears and a food court were added to The Empire in Sioux Falls, S.D. The new facility added 250,000 sq. ft. to the center.

"We also are renovating the rest of the center and particularly upgrading the exterior to give it an updated look," Kline adds. During 1988, General Growth also completed the renovation of Greenwood Mall in Bowling Green, Ky.

Construction is currently under way at River Falls Mall in Clarksville, Ind., a 1 million-sq.-ft. center, where the fun will be not only in the shopping.

There will be a 100,000-sq.-ft. family entertainment center complete with a carousel, a soft play area, an arcade, a 10-screen Loews theater and a train ride. For those who can tear themselves away to shop, the mall will be anchored by Bacons, Wal-Mart and retailers yet to be announced.

The 34-year-old General Growth company currently operates 33 centers in 18 states. According to Kline, the firm's centers are primarily regional malls in middle markets.

Like many of the nation's fastest growing developers, General Growth seeks markets that are still understored.

"We operate large regional malls in

For more information circle 41 on reply card ►

markets that are underserved or don't have any such centers," Kline says. Although he admits these locations are getting harder to find, he believes that opportunities exist. The entire process is taking longer, he points out, because it is getting more difficult to assemble land, a factor that can actually work in General Growth's favor.

"Since we can handle all the steps, we can get more opportunities," Kline reasons. "You can't do it halfway."

"A few good examples of these markets are Appleton, Wis., Des Moines and Sioux Falls, Minn.," elaborates Kline. "Our size is typically 600,000 sq. ft. to 900,000 sq. ft. and we're very retail-oriented."

Founding fathers: The close ties to the retail environment are no surprise since the company was founded by retailers, Martin and Matthew Bucksbaum.

General Growth Cos. is the umbrella for its four divisions: General Growth Development, General Growth Management, General Growth Leasing and General Growth of California.

Says Kline, General Growth will stick with regional centers. "We know regional malls. We're not doing mixed or strip," he says.

Metropolitan markets, however, will be considered when opportunities arise.

"If there is a major change for us, it is a new fixture—entertainment. We have research that shows it's an emerging trend in the industry, and we stay on top of the trends," he concludes. ■

General Growth

Centers opened in 1988

Bellis Fair, Bellingham, Wash.—900,000 sq. ft.
The Empire, Sioux Falls, S.D.—250,000 sq. ft. expansion
Greenwood Mall, Bowling Green, Ky.—180,000 sq. ft. expansion
Mall of the Bluffs, Council Bluffs, Iowa—150,000 sq. ft. expansion
Dakota Square, Minot, N.D.—120,000 sq. ft. expansion

New centers scheduled to open in 1989

River Falls Mall, Clarksville, Ind.—1,000,000 sq. ft.
Gateway Mall, Eugene/Springfield, Ore.—700,000 sq. ft.

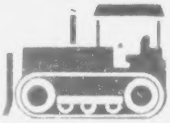
Source: General Growth Cos.

WILMORITE

***Great Northern Mall opened** in Syracuse with Sibley's, Hess's, Sears and Dey Brothers*

OPPORTUNITIES IN EMPIRE STATE FUEL WILMORITE EXPANSION

FIRM THRIVES IN UPSTATE NEW YORK MARKET



What others view as challenges, Wilmorite, based in Rochester, N.Y., sees as opportunities.

Consider the Freehold Racetrack in Freehold, N.J., the site of a devastating fire three years ago. Wilmorite rebuilt the grandstand and restored the racetrack.

In 1990 it will open 1.3 million-sq.-ft. Freehold Mall—housing Lord & Taylor, Nordstrom and Sears—in space near the once burned-down racetrack.

Then there is the town of Rotterdam, N.Y. Often overlooked by developers in favor of nearby Albany, Wilmorite selected Rotterdam as the location for 780,000-sq.-ft. Rotterdam Square Mall last year.

Rotterdam Square, according to John Kraus, president of Wilmorite's Genesee Management division, already is a good draw and a popular mall. It is one of only a few in the country to house a K mart as an anchor.

"K mart," Kraus proclaims, "makes a very good anchor, especially in that market."

In addition, Rotterdam Square houses Sears, Hess's and a six-screen movie theater.

New plans: Wilmorite has been a force in the upstate New York market, with major centers in Rochester and Syracuse. The 40-year-old company has developed more than 11 million sq. ft. and currently is working on more than 8 million sq. ft.

The upstate New York market is one of the busiest in the country, as retailers correct years of neglect.

At Greece, N.Y., a suburb of Rochester, Wilmorite is joining the 650,000-sq.-ft. Greece Towne Mall and the 905,000-sq.-ft. Eastview Mall into one large center—even though the centers have different owners.

The combined center will have six major department stores: Sibley's McCurdy's, Dey Brothers (which the company owns), Foreman, Sears and Hills (a former Gold Circle).

"It was agreed that together the center would be stronger and more exciting," Kraus says.

Also in the works in the 625,000-sq.-ft. Irondequoit Mall in Irondequoit, N.Y. Set for a 1990 debut, the center will be the eighth mall in the

Rochester area, but the only suburban two-level center in the area, says Kraus. Sears, J. C. Penney and Sibley's will anchor.

Wilmorite will stay true to the upstate New York market, but plans call for locations outside the Empire State. Sites are in the works in Connecticut, the Midwest and South.

Kraus believes the company can flourish in the current competitive environment, because it is aggressive, especially in the markets it knows well.

In Syracuse, N.Y., for example, the Great Northern Mall debuted in 1988 with Sibley's, Hess's, Sears and Dey Brothers.

He also credits the firm's ability to react briskly to available deals.

"We're an aggressive, family-owned business, and our owner, Thomas Wilmorite, can make quick decisions," Kraus explains. ■

Wilmorite

Centers opened in 1988

Great Northern Mall, Syracuse, N.Y.—780,000 sq. ft.
Rotterdam (N.Y) Square—730,000 sq. ft.
Pittsford (N.Y.) Plaza—190,000 sq. ft. expansion

New centers scheduled to open in 1989

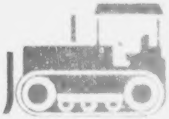
Irondequoit (N.Y.) Mall—625,000 sq. ft.

Source: Wilmorite

PRICE DEVELOPMENT

PRICE DEVELOPMENT SEEKS NEGLECTED RETAIL MARKETS

PROSPERS WITH MIDDLE MARKET PROJECTS



Price Development, a firm specializing in middle market development, had a busy year in 1988.

The Ogden, Utah-based developer opened up almost 2 million sq. ft. of retail space.

Not unlike Bentonville, Ark.-based Wal-Mart, Price has specialized in finding neglected retail markets.

However, retail isn't the only type of real estate the company builds. Another major thrust for Price Development is commercial and office developments. According to Steven Bogden, vp-leasing for the 30-year-old firm, the breakout is 70% retail vs. 30% office/commercial.

Price operates in the 13 westernmost states including Arizona, New Mexico, Utah and Wyoming.

The company grew up in the West and enjoyed rapid growth until competitors started spreading into its territory in the early to mid-1980s, recalls Bogden.

"We just about had a lock on the West," he says. "Now there's much more competition. Consequently, the deals are fewer in number."

Price, however, specializes in areas that many developers are only beginning to recognize. Fascinated by the population densities of the Northeast, Southeast and Midwest, many developers have neglected the smaller markets of the West.

Thus, Bogden feels the company's proximity to those fertile western states, such as Idaho, give Price a "leg up" on the competition.

During 1988, the company unveiled Boise Town Square in Boise, Idaho, a two-level, super-regional mall anchored by Sears, J. C. Penney, The Bon and Mervyn's.

Over 20 years in the making, it is the first major regional mall to serve the city. At least 20 developers tried to bring a mall to Boise, but Price finally achieved it with the opening of the 900,000-sq.-ft. mall.

Work has begun on Phase 2 of the project which will increase the footage to more than 1 million sq. ft.

Price likes to open one major regional mall per year, Bogden says. It also tries to debut several community centers. In 1988, it opened River Pointe Plaza in West Jordan, Utah, a 200,000-sq.-ft. center with a ShopKo and an Albertsons.

Last year was a big year for expansion for the developer. Four existing centers were enlarged—three of them with a new Sears.

Facelifts: Price also was active in several strip center renovations in 1988.

"In one case, the entire center underwent a facelift," says Bogden.

"A back tenant was converted into one anchor for a large tenant. The common area was opened out the front and the rest of the space was enclosed. The center is now 90% occupied and much busier than it was prior to the renovation," he says.

A major project scheduled for 1989 is Phase 2 of City Centre in downtown Salt Lake City, a $100 million redevelopment. It is a 500,000-sq.-ft. mixed-use office/retail complex.

Urban areas like Salt Lake City and Boise aside, Price prides itself on being experts at the middle and rural markets, areas which are often difficult to build in.

For example, while a project may have several anchors eager to enter a market, convincing specialty tenants to enter a smaller market can be a challenge.

Usually, an entire region is pitched, with the smaller market serving as an in-fill location between two or three larger metropolitan markets.

And the project itself may not be welcome at first. The construction of a major mall may make owners of local retail shops nervous. And in many small towns, those shopkeepers belong to the local planning board, who have the final authority on whether the project is a go.

As a result, Price works closely

Price Development

Centers opened in 1988

Boise (Idaho) Town Square—1,028,750 sq. ft.
Three Rivers Mall, Kelso, Wash.—698,930 sq. ft.
River Pointe Plaza, West Jordan, Utah—188,009 sq. ft.

New centers scheduled to open in 1989

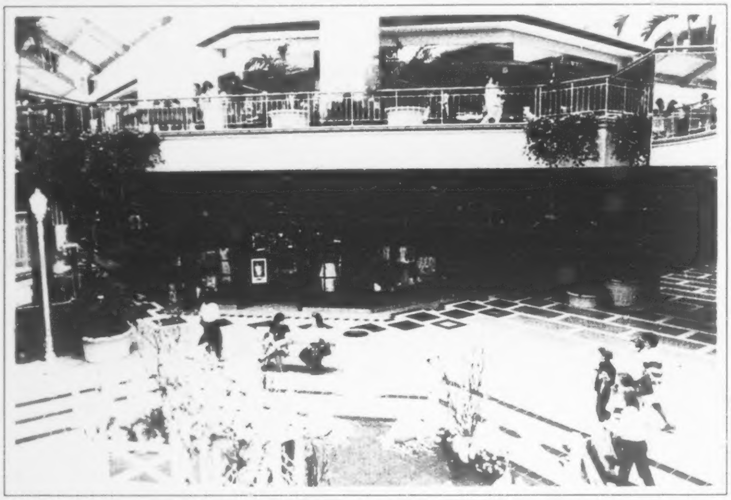
Silver Lakes Mall, Coeur d'Alene, Idaho—299,105 sq. ft.
Bailey Hills Plaza, Eugene, Ore.—170,000 sq. ft.
Coburg Crossing, Eugene, Ore.—200,000 sq. ft.

Source: Price Development

with local boards, and tries to make its centers as much a part of the community as possible.

In fact, since many of Price's centers are in middle markets, the facilities often become the focal point of the community.

"We hold blood drives, soccer league sign-ups and New Year's Eve dances in our malls," Bogden says. "They are often the center of community activities." ■

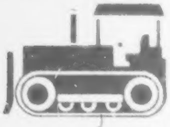


Boise Town Square debuted in 1988, expansion will bring GLA to more than 1 million sq. ft.

CAFARO CO.

CAFARO GROWTH STRATEGY: BE AGGRESSIVE, SELECTIVE

SEEKS NEW SITES WITH VIGOR, CHOOSES WITH CARE



Cafaro Co. prefers Sandusky, Ohio, or Clarksville, Tenn., to Cleveland or Nashville.

That is because the 40-year-old development firm prefers middle markets where it can be the dominant force.

"We're the ones with the Heart Fund drives and social functions. We're truly the center part of the community," relates J. J. Cafaro, executive vp and brother of Anthony Cafaro, the firm's president. The two are the sons of company founder and chairman William Cafaro.

Unlike many developers that are diversifying interests into other forms of real estate, the Youngstown, Ohio-based company is solely a retail developer.

(Cafaro, however, is becoming known in an industry outside of shopping centers. J. J. Cafaro has purchased the Avanti car company, the only handcrafted production automobile made in America. The cars sell for $38,000-$48,000.)

Located usually in smaller markets, the company's developments span from northern Michigan to Florida, and across the country to Washington. Most centers feature 4-5 department stores and range from 700,000 sq. ft. to over 1 million sq. ft.

Still opportunities: Despite a competitive environment, Cafaro believes there are many markets—especially middle markets—that are still ripe for shopping centers. In 1988, Cafaro opened more than 1.6 million sq. ft. of space.

Two of the major centers unveiled in 1988 serve as good case studies of the kind of market Cafaro likes to develop, the executive vp says.

One is located in Monroe, Mich., and the other in Puyallup, Wash. Neither area had a regional mall.

Monroe's Frenchtown Square Mill is a 500,000-sq.-ft. center housing Sears, J. C. Penney and Hill's. Deep discounter Phar-Mor will be added to the center, marking one of its first mall locations.

"Monroe is a quiet little suburb north of Detroit and Toledo," says Cafaro. "But it is growing, thanks to a new Mazda car manufacturing plant."

Southhills Mall is a 500,000-sq.-ft. center in Puyallup, Wash. A suburb of Tacoma, the area is growing fast, Cafaro notes. The center features a Target, Mervyn's and Lamonts—all first-timers with Cafaro.

Vancouver Plaza is a 500,000-sq.-ft. center with tenants Target and Lamonts plus a Super Valu. In Tigard, Ore., Cafaro opened a 200,000-sq.-ft. center with Target and Lamonts. In 1989, Cafaro will open Target Place, a 180,000-sq.-ft. location in Olympia, Wash.

To aid work that far from home base, Cafaro set up a regional office.

"There are many good developers. We are aggressive and good at finding locations. In many locations, there was not a developer looking," reports Cafaro.

Cafaro

Centers opened in 1988

Frenchtown Square, Monroe, Mich.—500,000 sq. ft.
Vancouver (Wash.) Plaza—500,000 sq. ft.
South Hill Mall, Puyallup, Wash.—500,000 sq. ft.
Washington Circle, Tigard, Ore.—200,000 sq. ft.

New centers scheduled to open in 1989

Target Place, Olympia, Wash.—283,804 sq. ft.
Governor's Square Plaza, Clarksville, Tenn.—140,000 sq. ft.
Waverly Place, Fredericksburg, Va.—100,000 sq. ft.
Kennedy Mall, Dubuque, Iowa—103,000 sq. ft. expansion
Vancouver (Wash.) Plaza (Phase 2)—94,000 sq. ft.

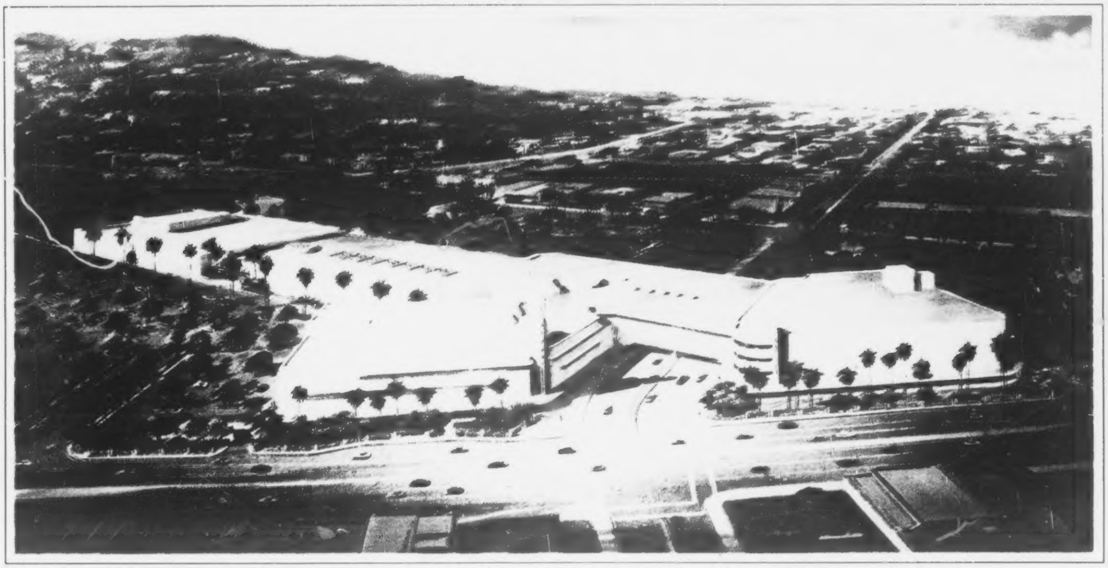
Source: The Cafaro Co.

"We're both aggressive and selective in seeking new sites," he explains. "We go after locations aggressively, but we're selective in the final choice," Cafaro says. ■

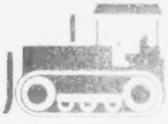
ALEXANDER HAAGEN CO.

CALIFORNIA DEVELOPER EXPANDS ITS HORIZONS

CREATIVITY HELPS ALEXANDER HAAGEN EXPLOIT GROWTH OPPORTUNITIES



***Baldwin Hills Crenshaw Plaza, Los Angeles**, added 800,000 sq. ft. to Alexander Haagen's total GLA in 1988*



Fred Bruning, chief of staff for Alexander Haagen Co., has a simple growth philosophy.

"Formulas don't keep growth up," he cautions. "You have to get creative. It's getting harder to get opportunities, but the opportunities are getting better."

Opportunities were abundant for Alexander Haagen in 1988. The Manhattan Beach, Calif.-based developer added more than 2 million sq. ft., pushing its total footage to almost 7 million sq. ft.

Southern California has been fertile ground for the company, and that will not change in the next few years, according to Bruning. He points to vigorous growth in several areas, such as Fontana, Calif., where currently there are 40,000 homes under construction.

All of those new homeowners are going to need furniture, and that is why Bruning is particularly pleased with one retailer that he is working with—IKEA.

The home furnishings chain has put a spark in three U.S. markets where it has opened, and Bruning hopes the magic will continue when IKEA hits California in at least two Alexander Haagen projects.

The company's focus is on community shopping centers, but with a new twist: a desire to bring new retailers, such as IKEA, into markets. Additionally, Bruning sees the firm "expanding its horizons" to more multi-use and urban shopping centers.

Alexander Haagen

Centers opened in 1988

Baldwin Hills Crenshaw Plaza, Los Angeles—800,000 sq. ft.
Covina (Calif.) Town Square—447,663 sq. ft.
San Fernando (Calif.) Value Square—232,000 sq. ft.
Harbor Place, Fullerton, Calif.—110,448 sq. ft.
Additions to Existing Centers—436,096 sq. ft.

New centers scheduled to open in 1989

None

Source: The Alexander Haagen Co.

"In many cases, we're going back to the cities. It is a different type of animal, and we're redesigning these areas," he reports.

Reclaiming urban areas: Bruning mentions the firm's current work in Burbank, Calif., as a prime example. Burbank, once the butt of comedy show jokes, is being refurbished, including dramatic improvements in shopping.

Improving areas is a Haagen trademark. The firm is known throughout the industry as one of the few developers to build in the inner city. The company owns projects in the Watts area of Los Angeles, for example.

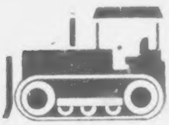
At the other end of urban shopping, Haagen is creating mixed-use facilities, such as Fontana, where 540 acres of land are being developed into a power center featuring offices, residences and retail establishments.

"In these areas, there's tremendous 8%-10% growth—unheard of in other areas, like back East," Bruning explains. "There are still some holes out here." ■

EQUITY PROPERTIES & DEVELOPMENT

EQUITY SHOWS OFF ITS RENOVATIONS

CHICAGO DEVELOPER PREFERS TO LET CUSTOMERS WATCH ITS PROGRESS



Some developers like to hide their renovations, building thick barriers to shield customers from "unsightly" construction.

Not the people at Chicago-based Equity Properties & Development. They want customers to become as excited as they are about the changes at a renovating center.

The firm is a specialist in the redevelopment of distressed properties. While not qualifying for this year's top developer list, which was based solely on newly constructed space, Equity's 1.4 million sq. ft. of completed redeveloped space in 1988 deserves to be acknowledged.

Last year's mega-space redevelopment was no fluke. In the years 1987-89, Equity will complete 12 mall renovations, as well as other work on community centers.

"Our philosophy is that we'd rather be the second or third owner of a piece of viable real estate than a scratch developer," says Equity president Mark N. London.

That usually means letting a center's customers know what's going on. At Chicago's Ford City, for example, Equity wants everyone to know the extent of the renovation.

Plexiglass windows are situated at various construction sites at the mall, located near Chicago's Midway Airport. Historical photography of the site (which has served as a plant for the construction of airplane engines and the near-legendary Tucker automobile) and renderings of the completed center also are displayed.

The extent of Ford City's remodeling and rethinking shows Equity at its full powers. For the firm, renovations are more than just a superficial facelift. They are complete rethinkings of a mall's status, and usually result in a total overhaul of both physical facilities and tenants.

Largest of Equity's projects, *Ford City contains 1.7 million sq.*

"Ford City very well typifies the principles of Equity Properties in terms of acquiring and redeveloping land," London observes.

"We look for the fundamentals being there. We're the guys who don't mind a bad parking lot, a bad roof, a somewhat decaying physical property or deteriorating tenant mix," London explains.

"We do want the location, and the access to be there, that the market will support the right type of retail, and that the department store situation is either right or correctable," London says.

The largest of Equity's current projects, the 4.6 million-sq.-ft. Ford City mixed-use complex contains 1.7 million sq. ft. of retail space.

Scheduled for an official grand reopening in August, the redevelopment of Ford City has meant both physical and merchandising changes. The 7,000-car parking facility has been reconfigured, and extensive exterior landscaping done.

But that isn't all. "We bought Ford City with a bankrupt Wieboldt's [which filed Chapter 11 in 1987], a Venture store in the north mall which wanted to go home, but with very powerful J. C. Penney and Montgomery Ward. We also had an incredibly tired physical property," London says.

"We've gotten the best of architectural and design input, perhaps even more than usual," adds London.

A 500-seat food court has been added, and new anchor Carson Pirie Scott has replaced Wieboldt's. The other anchors, J. C. Penney and Montgomery Ward, remain the same, with one more department store planned.

New perspective: It is in the small tenant space that Ford City has made its greatest changes, reflecting the typical Equity style. New retailers will occupy about 75,000 sq. ft. of small tenant space.

"We've brought a whole new merchandise perspective to Ford City, and as a result, the southwest side of Chicago," says London.

Equity can undertake such an elaborate reconstruction because, unlike other real estate firms, it is involved only with shopping centers—and specializes only in the renovation and remerchandising of them.

Specialization is becoming increasingly rare in the industry. Many developers acknowledge they will have to extend their services into previously neglected areas such as asset management to fulfill their own profit projections.

While London observes that many more developers eventually will have to become experts at renovation, he believes that Equity still will have an advantage.

New retailers will occupy about 75,000 sq. ft. of small tenant space

"With fewer than 20 new centers being built in the last two years, everyone is now acquiring. When we bought Ford City, there was a line of others waiting behind us. But we're faster and more entrepreneurial. We make quick decisions," London says.

"We buy and redevelop a center in less than 24 months," he continues, noting that ground-up development can take several years.

That quickness is due to the company's corporate structure, London says, with chairman Sanford Shkolnik "in charge of the strategic direction and acquisitions, where day-to-day I look at redevelopment and leasing."

"I also believe we're one of the most fully-integrated firms in the industry. I'll bet that many other developers have separate development, management and leasing arms," he says.

"We don't have separate companies, we have one. When I reorganized the company two years ago, we consolidated our operating and development companies. Because of that, our approach is more integrated, more multi-disciplined," London

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says.

Another part of this success rests in the team of leasing specialists the firm calls "merchant coordinators."

As redevelopment specialists, Equity has had to make a greater effort to work closely with tenants, most of whom have longer histories with the center.

Equity prefers to think of, and refer to, its stores as "merchants" rather than the more condescending term "tenants."

"Typically when we buy a center, if we do it right, we foster solid communications. People are normally very receptive. The center usually was neglected. We think of ourselves as partners with the retailers. They're responsible for making the cash register ring," says London.

Redevelopments: Projects begun in 1989 are the 607,000-sq.-ft. Los Arcos Mall, Scottsdale, Ariz., and Prince Georges Plaza, Hyattsville, Md.

Los Arcos will have a 280-seat food court installed, and will be remerchandised to reflect popular-to-middle price tenants.

The center's architecture also will get modified. Niches will be cut into existing 6-ft. by 6-ft. columns to provide more space for specialty retail.

Equity Properties & Development

Renovations completed in 1988

Swansea (Mass.) Mall—690,000 sq. ft.
Southgate Plaza, Sarasota, Fla.—450,000 sq. ft.
Alexis Park Shopping Center—275,000 sq. ft.

Renovations scheduled to reopen in 1989

Ford City, Chicago—1,700,000 sq. ft.
Prince Georges Plaza, Hyattsville, Md.—900,000 sq. ft.
Los Arcos Mall, Scottsdale, Ariz.—607,000 sq. ft.
Erie Commons Shopping Center, Mentor, Ohio—228,000 sq. ft.

Renovations scheduled to reopen in 1990

The Mall at 163rd Street, North Miami Beach, Fla.—1,100,000 sq. ft.
Magnolia Mall, Florence, S.C.—640,000 sq. ft.
Auburn (Me.) Mall—300,000 sq. ft. expansion
Swansea (Mass.) Mall—60,000 sq. ft. expansion

Source: Equity Properties & Development Co

Pop-outs, another ingredient in the Los Arcos rehab, will be even more vital to the Prince Georges Plaza redevelopment.

The 900,000-sq.-ft. mall has a common area 1,100 ft. long and 45 ft. wide. To combat what Equity calls the center's "football field" effect, the firm has persuaded more than 80% of the merchaants to extend their properties by 15 ft.

In addition, 30,000 sq. ft. of mall space will be added, as well as a 500-seat food court at the center of the mall.

The center is located close to the forthcoming Prince Georges Plaza station of the Washington, D.C., Metro. As a result, Equity is constructing covered walkways between the center, the Metro station (scheduled to open next year) and the nearby Federal Office Center.

In a somewhat different vein, the company is proceeding with the further development of South Towne Center, Sandy, Utah.

South Towne is the first property Equity has managed for the Zell/Merrill Lynch Real Estate Opportunity Limited Partnership. Zell is the chairman of the various Equity companies, of which Equity Properties is one.

South Towne Center, now consisting of a 200,000-sq.-ft. ZCMI anchor and 200,000 sq. ft. of small tenant space, opened in 1986.

Equity plans to expand the center to a five-anchor, 1 million-sq.-ft. regional. A 10-screen cinema is slated to open this summer, and a second anchor will be announced soon.

"We know there is real estate around today where people have broken Sam Zell's '11th Commandment': Thou shalt not reach. We think that opening a one-anchor center in Sandy, Utah, was reaching a little too far, too soon. But it looks like it will be a great center," London says.

The Zell/Lynch fund is another source of capital to fund Equity's projects. The others are First Capital, a public syndicator owned by Equity, and, of course, Equity's own funds.

As more centers age, Equity's business will only increase, London believes. London can't wait.

"One thing I love about our niche of this business is that every center is a different type of challenge. Every market is a little bit different, every physical property is a little bit different, and every merchandising niche is different," says London. ■

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Audubon Village
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Phase II Opening May 1989

Evansville, IN
University Village
120,000 Sq. ft.
Opening Fall 1989

Fremont, OH
Applewood Village
150,000 Sq. ft.
Opening Fall 1989

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"It is easier to sit at the terminal and enter the bulk of the data when we are adding new items," he says. "On the floor it could be guesswork, but at the terminal you have all of the sheets with costs."

The radio can also be used on the store floor to do verifications. Verifications can be done to check the department link to a particular UPC code by use of the scanner attached to the radio.

Mobile register: Before Easter's County Market began using the Norand radio, employees would wheel the scanning cash register around the aisles to verify products.

Although effective, it disrupted business, according to Schlicher, because of its size and the extension cords that were necessary. In addition, the cash register would have to be shut down. Use of the Norand radio, in contrast, does not disrupt business on the grocery floor.

In the backroom, the radio is used to record information about items coming into the store. This information is sent automatically to the computer via the radio after it is scanned.

Promotional information may also be sent via the Norand network. When pricing is going to change, that information can be scanned in and communicated through the radio to the computer.

One of the primary functions of the Norand radio is DSD. This is the use of the radio and network to verify that the price and inventory listed on an invoice coincides with what the store is expecting.

When a vendor order arrives in the backroom, it is scanned and checked against the computer. If a price change needs to be made, it can be entered into the radio.

The radio is configured with passwords and codes that prevent unauthorized employees from being able to alter data.

If a price change is made, the employee can automatically delete the invoice he had originally calculated and reenter the correct price.

Use of the Norand radio is designed to increase a company's gross margin by eliminating pricing errors and missed discounts due to human error.

"Invoices used to come in through the back door and some were hand written in pencil, and they had no mechanism for checking pricing," says Lang. "It would waste time and energy."

Easter Enterprises' stores have experienced a 1% improvement in gross margin since the installation, according to Lang.

Schlicher says that he is convinced that an improvement in gross margin has been made, but that he cannot gauge precisely how large it is.

The installation of the system takes about one hour in addition to the time it takes to input inventory.

All inventory in the front and backrooms had to be scanned at the Mason City store when the system was installed there.

This process was done gradually throughout a regular 40-hour work week, with no disruption of business, Schlicher says.

The only drawback to the system, says Schlicher, is that the computer is not multi-tasking and therefore cannot be used for other functions when the radio is working.

However, RDS is working on getting the company some new multi-tasking software.

"Sometimes the radio picks up interference but that is very seldom, other than that we have only had to replace one battery," Schlicher says.

RDS provides training and support for all people who need to use the Norand radio. The training for the Mason City location took about half a day.

"Personally, I think it has helped us a lot. Profit is up nicely," Schlicher says. ■

FAST PAYBACK FROM QUICK RESPONSE, STUDY FINDS

RESEARCH PEGS INDUSTRY SAVINGS AT $9.6 BILLION

Retail companies implementing Quick Response (QR) technologies are ringing up 20% sales gains for basic and seasonal merchandise. For fashion merchandise, retailers are experiencing 28% sales hikes.

Along with increased sales, QR is decreasing markdowns by an average of 30% for basic and seasonal merchandise and 40%-45% for fashion merchandise.

These are some of the conclusions of an Andersen Consulting study, "The Costs and Benefits to Retailers of Implementing Quick Response and Supporting Technologies," conducted for the Voluntary Interindustry Communications (VICS) Committee.

The study is a result of data from 75 companies, involving on-site interviews, work sampling, operational reviews of merchandise flow and supporting questionnaires.

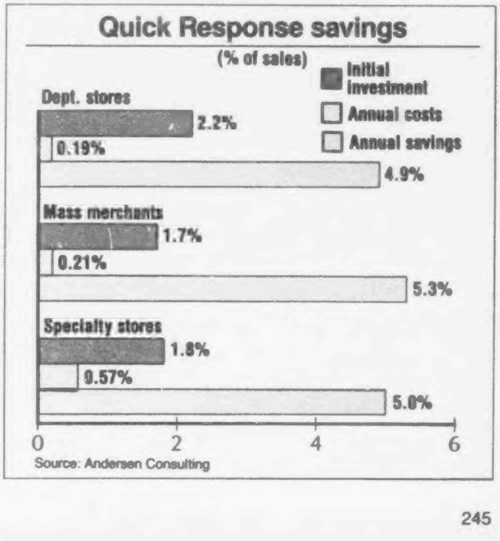
The information was analyzed over a nine-month period. Included in the analysis were companies representing each retail segment with sales ranging from tens of millions to tens of billions.

QR, says the study, provides an annual savings of $9.6 billion to the general merchandise retail industry.

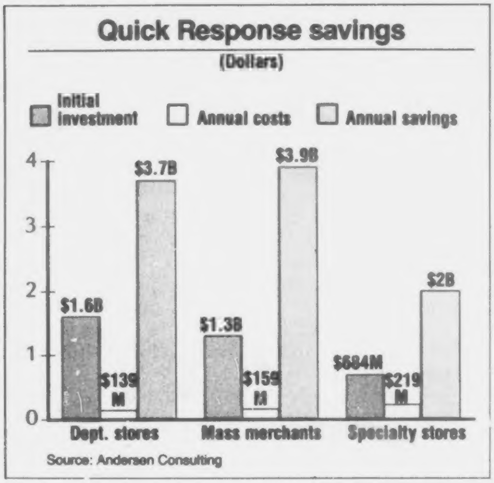
"But of course, if every company implemented Quick Response tomorrow, industry-wide sales would not be up 25%," cautions Philip Z. Dolen, national director of Andersen Consulting's retail industry practice.

"Because, when it comes to sales, we're talking about market share—and with market share, there are winners and losers," Dolen says.

"Remarkable industry-wide bene-



Source: Andersen Consulting



Quick Response savings

(Dollars)

Source: Andersen Consulting

fits can be realized on two levels," he says. "First, there are benefits of the technology itself, and second, the benefits of Quick Response business strategies."

The VICS/Andersen study pegs the potential benefits of Universal Product Code (UPC) and point-of-sale scanning to the industry as a whole at about $2 billion in savings annually.

Mass merchants, says the study, have the most to gain from point-of sale scanning. On the average, mass merchandisers ring up yearly savings equal to 2.3% of sales from implementing UPC scanning. This compares to 1.4% for specialty stores and 0.86% for department store retailers.

The payback from Electronic Data Interchange (EDI), in contrast, is the same across retail segments. The VICS/Andersen study estimates a savings from EDI equal to 0.14% of sales for specialty retailers, department stores and mass merchants.

The benefit of shipping container marking with an Advanced Shipment Notice is pegged at $399 million in annual savings.

As with UPC scanning, the payback for shipping container marking is biggest for the mass merchants.

According to the VICS/Andersen study, mass merchandisers can expect to ring up yearly savings equal to 0.3% of sales after implementing the technology. This compares to 0.16% for department stores and 0.14% for specialty retailers.

Gross margin benefit: When the technologies are used along with Quick Response business strategies, companies can realize even more benefits, says the study.

Markdowns can be reduced $5 billion industry-wide, inventory carrying costs reduced $1 billion, and sales increased by as much as 20%-25% in selected departments.

"Higher sales and fewer markdowns add up to a better gross margin," says Jeffrey P. Luker, a partner for Andersen Consulting.

"But that's not the whole story. We've found that Quick Response also impacts the other half of a retailer's profit and loss statement, as it reduces direct operating expenses and contributes to greater dollar-for-dollar, bottom-line profit," Luker says.

The VICS/Andersen study finds that QR decreases merchandising expenses by an average 0.6% for department stores, 1.0% for mass merchandisers and 0.5% for specialty stores.

Quick Response, says the study, decreases distribution expense by an average 0.5% for department stores, 1.4% for mass merchandisers and 1.0% for specialty stores.

Quick Response decreases administration expenses by 0.14% for each of the three retail segments.

Electronic Data Interchange of high-volume business documents, using industry-accepted standards (VICS EDI), significantly reduces data entry for both vendor and retailer, says the study.

QR also decreases interest on inventory by an average of 0.66% for department stores and 0.7% for both mass merchandisers and specialty stores.

Quick Response allows companies to turn merchandise faster. According to the VICS/Andersen findings, turns can be increased 25%-35% in basic/seasonal merchandise and 40%-45% in fashion merchandise.

Taken together, the combined savings attributable to Quick Response technologies total $9.6 billion, according to the study.

"These savings are equivalent to 4.9% of annual sales for department stores, 5.3% of sales for mass merchants and 5.0% of sales for specialty retailers," notes Robert L. Grottke, Andersen's international director for distribution industries and the audit partner responsible for the study.

New thinking: Achieving those paybacks, says Dolen, requires that retail companies rethink the way they do business.

"Quick Response requires first, that a company establish new and better relationships with vendors," Dolen explains. "And second, that a company establish different, better relationships within its own operation."

"It is first and foremost a new way of doing business, a new way of thinking about business," Luker concludes.

"Unless a retailer understands and implements the business concepts and strategies of Quick Response, the benefits of applying technology will be limited." ■

SOFTWARE MODEL AVAILABLE

Arthur Andersen & Co. and the Voluntary Interindustry Communications Standards (VICS) Committee have developed a software model that calculates the cost and benefits of quick response for retailers.

Using a retailer's proprietary data (sales, number of stores and distribution centers, customer counts, etc.), the model determines the costs and benefits of the Universal Product Code (UPC) and POS scanning, electronic data interchange (EDI) of purchase orders and other shipping messages, and shipping container marking and advanced shipping notices.

The model provides key calculations, such as productivity gains, expected sales increases, and estimated reduction in markdowns.

A User's Manual and Lotus template are available for a nominal price from the VICS Committee or through Arthur Andersen & Co. at (313) 568-9360.

In addition, copies of the VICS/Andersen report, "The Costs and Benefits to Retailers of Implementing Quick Response and Supporting Technologies," can be obtained from Ginna W. Beckett at (313) 568-9428.

DEMOGRAPHIC COMPARISON OF SHOPPERS

STUDY EXAMINES BUYING PATTERNS OF CONSUMERS AGE 14 AND OLDER

CATEGORY	K MART	WAL-MART	JC PENNEY	LIMITED	NAT'L AVG.
AGE:					
14-17	4.3	3.8	3.8	29.5	7.4
18-24	13.7	16.7	13.0	38.2	14.2
25-34	35.0	36.4	26.3	20.8	22.5
35-44	20.9	22.4	20.4	7.9	17.9
45-54	10.7	10.8	13.6	2.1	12.2
55-64	8.7	6.9	10.8	0.8	11.2
65+	6.7	3.1	12.1	0.7	14.7
Average Age (in Years)	37.3	35.3	40.8	23.9	40.8
EDUCATION					
11th Grade or Less	15.2	13.4	9.6	31.8	14.7
High School Grad	40.9	42.1	33.7	17.4	30.8
1-3 Years of College	29.0	29.6	31.7	30.0	28.1
College Grad	9.2	8.0	14.9	14.0	14.9
Grad Study	5.2	6.5	9.6	6.5	10.7
AVERAGE YEARS OF EDUCATION	12.9	13.0	13.6	12.8	13.5
HOUSEHOLD INCOME					
$10,000	17.9	14.0	12.2	40.9	16.4
$10,000-$14,999	13.1	11.0	9.5	6.9	9.3
$15,000-$19,999	12.8	12.6	10.7	6.7	9.3
$20,000-$24,999	13.3	12.7	12.0	7.3	10.4
$25,000-$29,999	10.1	11.9	10.5	5.3	8.9
$30,000-$39,999	14.2	15.5	16.3	7.5	13.4
$40,000-$49,999	7.9	11.8	11.9	6.2	10.3
$50,000-$74,999	5.7	5.2	10.3	9.3	10.8
$75,000+	1.9	1.6	2.8	6.4	5.7
AVERAGE HOUSEHOLD INCOME	24,900	26,700	30,100	24,400	30,700
DUAL HSHLD INCOME (MARRIED)	56.1	59.3	57.1	75.6	53.3
OCCUPATION					
Professional/Managerial	24.5	29.7	33.6	25.0	31.2
Sales Workers	6.8	7.5	7.0	10.1	7.4
Factory Worker/Laborer/Driver	18.6	19.9	9.7	2.1	10.2
Clerical/Service Worker	13.3	12.3	13.8	9.0	10.2
Homemaker	12.8	12.4	12.5	3.3	10.5
Students, HS or College	7.8	6.9	7.1	45.0	11.0
Military	1.9	2.0	1.6	1.1	1.4
Retired	8.1	4.8	11.4	0.3	13.3
Unemployed	5.0	3.5	2.0	3.6	3.2

Source: Impact Resources

The Limited is best known for its success in attracting young shoppers. Its average customer is a still wet-behind-the-ears 23.9 years old, says Impact Resources, a Columbus, Ohio-headquartered market research firm.

But who would expect that The Limited does a better job than J. C. Penney, K mart or Wal-Mart at getting shoppers from dual-income households, too?

Three out of four (75.6%) of The Limited's customers are from two-income families, says the market researcher. Compare this to the nationwide figure of 53.3%.

Only 57.1% of J. C. Penney's shoppers are from dual-income households, says Impact Resources. Fifty-nine percent of Wal-Mart's customers are from two-paycheck families; 56.1% of K mart shoppers pull in more than one income.

Penney's customers, in contrast, are the oldest (40.8 years old—exactly the national average) and the best educated (13.6 years of education). The Dallas-based chain also does the best job at pulling professionals into its stores. One-third (33.6%) of Penney shoppers work as a professional or manager. Fewer than 1 in 4 K mart customers, on the other hand, are professionals. ■

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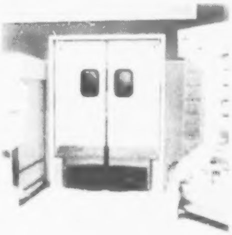

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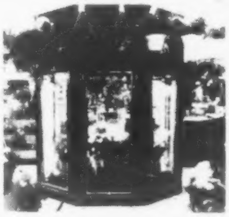
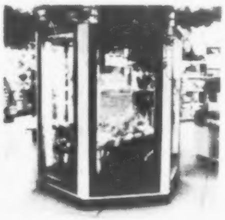

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FINANCE

TWO EXPERIMENTS TAKE OFF IN MARCH

Two bold experiments received enthusiastic receptions in March, a month that produced mixed sales results.

Hordes of customers greeted Sears' everyday low pricing program. Sears had the sharpest sales increase for March since 1981. Comparable store sales came in at plus-9.6%. After adjusting for the loss of a day for Easter and one and a half days for inventory/repricing, the comp store sales jump was 15.4%.

The boost in sales did not come cheaply. Sears spent an estimated $110 million to advertise the new pricing policy. The impact on other retailers is still to be determined, but perhaps an indication comes from Montgomery Ward which had an 8.5% overall and a 7.2% comp store sales increase.

"We are gratified by the strength of our sales results considering the strong marketing efforts of major competition during this reporting period," said chairman/ceo Bernard F. Brennan.

The other grand experiment—Forest Fair Mall outside Cincinnati—claims close to 1.5 million people visited the 1.7 million sq. ft. megaplex last month. LJ Hooker, which controls three of the department store anchors that opened March 1, reports that B. Altman's, Parisian and Bonwit Teller outperformed expectations.

Discount stores experienced mixed results in March. While Wal-Mart and Rose's produced solid same-store sales gains, reductions occurred at K mart, Ames, Venture and Target. Only Carson Pirie Scott, among department stores, reported reductions in comp store sales.

Both hard lines and apparel specialty chains produced strong sales gains. The Gap provided the month's best same-store sales increase.

Company	March '89 sales (in mils.)	% change	% change comp. stores	YTD sales (in mils.)	% change YTD	% change YTD comp stores
Sears	$2,973,456	+ 11.9	+ 9.6	$5,115,355	+ 12.4	+ 8.4
Penney	1,328,000	+ 1.6	− 1.3	2,216,000	+ 3.3	+ 0.5
Ward	387,487	+ 8.5	+ 7.2	664,444	+ 7.1	+ 5.8
Woolworth	776,000	+ 6.7	+ 1.3	1,269,000	+ 8.3	+ 2.4
Edison Bros.	85,900	+ 16.2	n/a	144,300	+ 14.6	n/a
K mart	2,422,698	+ 2.5	− 0.8	4,015,533	+ 4.7	+ 0.9
Wal-Mart	1,923,000	+ 25.8	+ 12.5	3,391,000	+ 25.0	+ 12.0
Dayton Hudson	1,087,000	+ 6.4	+ 0.9	1,900,000	+ 8.3	+ 2.5
Ames	459,000	+ 126.1	− 1.2	736,000	+ 122.4	+ 1.6
Hills	174,418	+ 17.9	− 0.8	251,914	+ 13.8	− 1.2
Rose's	112,650	+ 14.3	+ 8.0	209,286	+ 10.0	+ 4.0
Dollar General	43,300	+ 10.9	+ 11.8	83,400	+ 6.9	+ 7.8
May	1,051,100	+ 19.6	+ 1.9	1,761,400	+ 22.6	+ 4.7
Carter Hawley Hale	231,60	+ 10.3	+ 9.2	1,972,500	+ 7.4	+ 6.4
Mercantile	211,23	+ 3.0	+ 2.0	329,088	+ 3.7	+ 2.7
Neiman-Marcus Group	137,30	+ 25.0	+ 13.2	1,014,700	+ 17.4	+ 7.7
Carson Pirie Scott	82,97	+ 1.2	− 4.8	140,880	+ 3.3	− 2.7
The Limited	393,80	+ 14.7	+ 8.0	657,600	+ 17.4	+ 12.0
The Gap	128,30	+ 29.2	+ 18.0	206,000	+ 28.2	+ 18.0
Circuit City	124,90	+ 24.3	+ 7.0	124,900	+ 24.3	+ 7.0
Best Buy	36,00	n/c	− 1.0	507,000	+ 15.0	− 2.8
Walgreen	469,74	+ 13.9	+ 13.5	1,318,208	+ 11.1	+ 9.5

n/c = no change
n/a = not available

Source: Company reports

SALES

	4th qtr. (000 omitted)	% change	Full year (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney*	4,838,000	– 2.1	14,833,000	– 2.9
Sears, Roebuck & Co.*	9,524,400	+ 10.5	30,256,000	+ 7.7
Montgomery Ward	n/r	n/r	4,747,400	+ 4.3
Composite	n/a	n/a	49,836,400	+ 3.9
DEPARTMENT STORES				
Carson Pirie Scott†	345,104	+ 12.7	1,022,974	+ 25.1
Carter Hawley Hale*[2]	930,732	+ 7.5	1,567,406	+ 6.2
Dillard	881,991	+ 13.3	2,558,395	+ 16.0
Gottschalks*	72,595	+ 18.7	196,024	+ 10.2
Jacobson's	120,549	+ 13.5	356,504	+ 9.1
R. H. Macy*[2]	2,278,181	+ 21.8	3,902,209	+ 24.5
May†	3,995,000	+ 12.5	11,525,000	+ 18.9
Mercantile	766,252	+ 8.2	2,265,500	+ 5.1
Neiman Marcus Group*[2]	449,354	+ 19.8	780,771	+ 16.0
Nordstrom	765,117	+ 27.3	2,327,946	+ 21.2
Strawbridge & Clothier	322,650	+ 12.1	904,196	+ 11.0
Composite	10,927,525	+ 21.0	27,406,925	+ 17.3
DISCOUNT STORES				
Ames*	1,771,029	+ 169.5	3,362,865	+ 59.2
Consolidated	215,820	+ 12.5	626,557	+ 6.1
Dayton Hudson	4,100,000	+ 11.4	12,204,000	+ 14.3
Hills	573,379	+ 12.9	1,670,866	+ 10.3
Jamesway	263,488	+ 15.2	782,504	+ 11.6
K mart	8,417,300	+ 8.5	27,301,400	+ 6.5
Fred Meyer	568,393	+ 16.1	2,073,544	+ 12.2
Pic 'n' Save	160,967	+ 9.8	401,705	+ 11.1
Rose's	445,601	+ 12.3	1,439,279	+ 7.7
Wal-Mart	6,530,736	+ 30.6	20,649,001	+ 29.4
Composite	23,046,713	+ 21.0	70,511,721	+ 16.1
SHOE/SPECIA' TY CHAINS				
Brown Group†	462,645	+ 12.4	1,706,565	+ 8.6
Edison Bros.*	325,200	+ 6.7	918,600	– 1.3
Genesco*	128,832	+ 14.1	462,766	+ 14.0
Melville	2,291,328	+ 13.7	6,780,359	+ 14.3
U.S. Shoe*	683,888	+ 11.3	2,343,045	+ 8.1
F. W. Woolworth	2,546,000	+ 13.9	8,088,000	+ 12.7
Composite	6,437,893	+ 13.1	20,299,335	+ 11.6
APPAREL CHAINS				
Charming Shoppes	221,460	+ 21.1	725,197	+ 13.6
Deb Shops	63,902	– 0.3	194,050	– 2.2
Designs	19,483	+ 36.6	57,658	+ 42.7
Gantos*	57,481	+ 33.3	173,724	+ 27.6
The Gap	423,669	+ 17.8	1,252,097	+ 17.9
Paul Harris*	67,509	+ 13.8	194,877	+ 2.4
The Limited	1,355,982	+ 34.2	4,070,777	+ 15.4
Merry Go Round	106,758	+ 35.1	298,938	+ 17.1
Petrie*	385,679	+ 8.3	1,218,341	– 1.9
Composite	2,701,923	+ 24.6	8,185,659	+ 12.3
OFF PRICE APPAREL				
Bankers Note	8,116	– 5.1	36,712	– 7.9
Clothestime*	45,657	+ 9.6	171,431	– 4.1
Dress Barn[2]	63,054	+ 25.0	123,799	+ 22.8
Ross*	204,066	+ 11.3	634,247	+ 10.1
S & K*	18,552	+ 21.1	52,437	+ 21.8
Syms	89,908	+ 6.2	282,555	+ 10.0
TJX*	567,256	+ 22.2	1,920,795	+ 16.9
Composite	996,609	+ 17.9	3,221,976	+ 13.5
WAREHOUSE WHOLESALE CLUBS				
Costco*[2]	682,987	+ 46.2	1,250,446	+ 43.0
Pace Membership*	489,437	+ 30.6	1,270,535	+ 35.2
Warehouse Club*[1]	74,664	+ 11.9	74,664	+ 11.9
Wholesale Club	132,325	+ 43.6	402,060	+ 48.0
Composite	1,379,413	+ 37.8	2,997,705	+ 39.3

EARNINGS

	4th qtr. (000 omitted)	% change	Full year (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney*	296,000	n/c	668,000	– 5.4
Sears, Roebuck & Co.*	(113,500)	n/a	173,300	– 78.0
Montgomery Ward	n/r	n/r	139,000	+ 6.9
Composite	n/a	n/a	980,300	– 39.6
DEPARTMENT STORES				
Carson Pirie Scott†	9,297	– 26.0	1,873	– 78.5
Carter Hawley Hale*[2]	21,945	+ 7.8	17,955	– 14.4
Dillard	65,672	+ 32.0	113,829	+ 24.8
Gottschalks*	3,897	+ 46.9	5,032	+ 1.5
Jacobson's	7,579	+ 13.3	11,035	+ 4.7
R. H. Macy*[2]	77,500	+ 27.8	53,599	– 20.1
May†	276,000	+ 20.0	503,000	+ 14.3
Mercantile	57,348	+ 23.3	144,462	+ 11.5
Neiman Marcus Group*[2]	13,848	– 10.5	23,778	– 9.6
Nordstrom	47,514	+ 42.7	123,332	+ 33.0
Strawbridge & Clothier	20,952	+ 12.1	27,270	+ 0.9
Composite	601,552	+ 36.2	1,025,165	+ 11.5
DISCOUNT STORES				
Ames*	22,871	+ 35.1	47,243	+ 43.2
Consolidated	14,167	+ 55.6	22,628	+ 74.1
Dayton Hudson	183,000	+ 36.6	287,000	+ 25.9
Hills	27,846	– 22.8	11,515	– 49.1
Jamesway	3,724	– 2.2	9,680	– 16.6
K mart	393,200	+ 22.4	802,900	+ 16.0
Fred Meyer	15,284	+ 11.2	36,661	+ 14.4
Pic 'n' Save	23,792	+ 3.0	46,915	– 0.8
Rose's	6,463	+ 430.6	16,356	– 9.6
Wal-Mart	323,186	+ 30.8	837,221	+ 33.4
Composite	1,013,533	+ 26.9	2,118,119	+ 22.8
SHOE/SPECIALTY CHAINS				
Brown Group†	1,136	– 92.7	30,134	– 43.7
Edison Bros.*	26,000	n/a	36,300	n/a
Genesco*	9,515	+ 27.9	15,156	+ 107.0
Melville	205,260	+ 26.8	354,510	+ 24.2
U.S. Shoe*	17,992	+ 74.3	12,966	– 64.0
F. W. Woolworth	144,000	+ 9.9	288,000	+ 14.7
Composite	403,903	+ 30.0	737,066	+ 20.4
APPAREL CHAINS				
Charming Shoppes	17,017	+ 125.8	38,151	– 10.4
Deb Shops	8,939	+ 95.0	13,750	+ 15.0
Designs	1,148	+ 444.1	1,388	– 11.3
Gantos*	2,836	+ 25.3	4,214	– 15.5
The Gap	32,195	+ 48.6	74,231	+ 6.7
Paul Harris*	496	n/a	(5,641)	n/a
The Limited	120,145	+ 89.8	245,136	+ 4.2
Merry Go Round	6,148	+ 54.9	11,160	+ 10.7
Petrie*	18,853	– 20.9	35,082	– 26.2
Composite	207,777	+ 63.7	417,471	– 2.3
OFF PRICE APPAREL				
Bankers Note	51	n/a	679	n/a
Clothestime*	(2,008)	n/a	(2,826)	n/a
Dress Barn[2]	4,821	+ 20.2	9,942	+ 21.2
Ross*	16,322	+ 31.6	26,250	+ 127.4
S & K*	1,135	+ 12.9	2,158	+ 23.5
Syms	8,813	+ 5.9	18,736	+ 5.4
TJX*	22,246	+ 21.4	85,845	+ 28.7
Composite	51,380	+ 23.8	140,784	+ 26.8
WAREHOUSE WHOLESALE CLUBS				
Costco*[2]	9,122	+ 38.3	12,553	+ 75.5
Pace Membership*	5,695	+ 62.5	8,471	+ 110.9
Warehouse Club*[1]	526	+ 32.2	526	+ 32.2
Wholesale Club	2,875	+ 55.8	4,554	n/a
Composite	18,218	+ 47.6	26,104	+ 126.6

N/A = not applicable N/R = not reported
N/C = no change
* = before extraordinary items or changes in accounting principles
† = continuing operations only

[1] = first quarter figures
[2] = second quarter figures
[3] = third quarter figures
Source: Company reports

SALES

	4th qtr. (000 omitted)	% change	Full year (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[3]	171,970	+ 6.5	400,912	+ 20.6
Blockbuster Ent.	53,427	+ 260.1	136,893	+ 216.7
Child World*	408,395	+ 5.1	807,067	+ 7.7
Circuit City	563,481	+ 22.3	1,721,497	+ 27.4
Claire's*	50,668	+ 51.5	127,263	+ 23.1
Fabri-Centers*	90,269	+ 17.3	290,862	+ 9.1
Highland*	315,898	+ 17.2	910,747	+ 20.9
House of Fabrics	100,823	+ 9.7	338,010	+ 4.8
Lionel*	221,302	+ 17.9	411,972	+ 19.9
Michaels	95,100	+ 28.0	249,632	+ 49.3
Oshman's*†	104,289	− 12.5	304,551	− 8.5
Pep Boys—M,M&J*	168,067	+ 17.9	655,968	+ 18.5
Tandy[2]	1,402,661	+ 7.7	2,339,614	+ 9.3
Toys "R" Us	1,889,406	+ 22.2	4,000,192	+ 27.5
Williams Sonoma	64,202	+ 33.0	174,179	+ 27.3
Composite	5,699,958	+ 15.9	12,869,359	+ 20.0
SUPERMARKETS				
A & P	2,433,417	+ 9.0	10,067,776	+ 5.6
Albertson's	1,889,477	+ 24.2	6,773,061	+ 15.4
American	5,388,915	+ 41.4	18,478,354	+ 29.5
Food Lion[1]	1,010,805	+ 29.5	1,010,805	+ 29.5
Giant Food	966,596	+ 9.5	2,987,154	+ 9.8
Hannaford Bros.	353,824	+ 30.1	1,261,668	+ 22.1
Kroger	4,650,000	+ 5.4	19,050,000	+ 7.9
Marsh[3]	213,614	+ 8.5	687,950	+ 7.1
Mott's*†	976,484	+ 3.6	2,872,286	+ 4.6
Nash Finch	507,506	+ 10.3	2,097,834	+ 7.9
Super Valu	2,506,988	+ 12.1	10,296,325	+ 9.9
Vons*	1,176,600	+ 46.9	3,916,600	+ 19.6
Winn-Dixie[2]	2,800,000	+ 1.8	4,800,000	+ 29.1
Composite	24,874,226	+ 16.8	84,299,813	+ 14.6
DRUG STORES				
Arbor[2]	80,815	+ 25.5	148,436	+ 22.9
Dart*[2]	47,641	− 25.7	89,534	− 25.9
Fay's	149,869	+ 6.1	526,627	+ 5.2
Genovese*	107,721	+ 26.1	366,412	+ 16.7
Longs	549,510	+ 10.6	1,925,451	+ 8.6
Rite Aid*†	819,215	+ 17.6	2,868,297	+ 15.4
Composite	1,754,771	+ 13.3	5,924,757	+ 11.5
HOME CENTERS				
Grossman's*	285,799	+ 10.8	1,141,602	+ 6.0
Hechinger*	245,912	+ 43.4	1,019,399	+ 40.6
Home Depot	524,773	+ 40.3	1,999,514	+ 37.6
Lowes*	569,552	+ 13.4	2,516,879	+ 3.1
Wolohan Lumber	64,303	+ 13.2	257,800	+ 12.8
Composite	1,690,339	+ 24.1	6,935,194	+ 17.0
SHOPPING CENTER DEVELOPERS				
Crown American[2]	19,715	− 9.6	38,401	− 22.3
Federal Realty	17,385	+ 5.0	68,108	+ 12.7
Forest City Ent.†	30,064	+ 0.4	89,996	− 6.6
Rouse	131,439	+ 18.5	461,623	+ 18.9
Vornado	23,638	+ 13.4	82,263	+ 11.5
Weingarten	15,732	− 0.1	64,767	+ 5.9
Composite	237,973	+ 10.3	805,158	+ 10.4

EARNINGS

	4th qtr. (000 omitted)	% change	Full year (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[3]	3,554	+ 140.6	4,418	+ 34.4
Blockbuster Ent.	5,486	+ 326.9	15,498	+ 278.9
Child World*	22,895	+ 25.3	12,571	+ 9.4
Circuit City	30,228	+ 27.5	69,475	+ 37.8
Claire's*	8,269	+ 375.5	7,097	+ 24.5
Fabri-Centers*	4,032	n/a	5,093	+ 1650.2
Highland*	4,377	+ 20.5	7,244	− 12.3
House of Fabrics	4,725	+ 9.0	11,361	+ 8.2
Lionel*	13,914	+ 59.9	3,995	+ 4.1
Michaels	4,133	+ 47.9	5,190	+ 18.1
Oshman's*†	5,509	− 22.3	(2,443)	n/a
Pep Boys—M,M&J*	10,074	+ 19.9	37,685	+ 9.7
Tandy[2]	135,050	+ 3.3	199,959	+ 2.5
Toys "R" Us	196,589	+ 27.4	268,024	+ 31.4
Williams Sonoma	4,492	+ 66.0	5,205	+ 51.5
Composite	453,327	+ 22.8	650,372	+ 19.9
SUPERMARKETS				
A & P	30,590	+ 21.0	127,582	+ 23.3
Albertson's	51,890	+ 28.7	162,545	+ 29.6
American	20,232	− 56.1	98,251	− 36.3
Food Lion[1]	28,720	+ 31.1	28,720	+ 31.1
Giant Food	35,720	+ 31.5	97,967	+ 29.6
Hannaford Bros.	6,771	+ 27.0	28,949	+ 20.2
Kroger	(119,000)	n/a	34,522	− 86.0
Marsh	2,473	+ 31.0	6,919	+ 5.1
Mott's*†	18,708	− 93.0	439,214	− 18.2
Nash Finch	3,318	− 47.5	18,175	− 1.8
Super Valu	37,389	+ 18.7	135,363	+ 21.1
Vons*	(14,500)	n/a	(12,000)	n/a
Winn-Dixie[2]	34,600	+ 24.9	54,800	+ 27.1
Composite	136,911	− 75.1	1,221,007	− 16.6
DRUG STORES				
Arbor[2]	3,158	+ 40.5	4,729	+ 30.6
Dart*[2]	(4,186)	n/a	(9,351)	n/a
Fay's	4,785	+ 28.1	10,012	+ 68.5
Genovese*	2,577	+ 35.2	5,524	+ 33.1
Longs	16,948	+ 12.5	55,858	+ 13.5
Rite Aid*†	36,095	− 0.3	95,210	+ 1.5
Composite	59,377	+ 7.8	161,982	+ 7.7
HOME CENTERS				
Grossman's*	586	− 62.1	13,235	− 33.3
Hechinger*	12,857	+ 19.3	48,816	+ 22.1
Home Depot	18,887	+ 18.3	76,753	+ 41.9
Lowes*	11,794	+ 1720.1	69,201	+ 23.7
Wolohan Lumber	2,864	+ 6.1	11,220	+ 24.5
Composite	46,988	+ 48.5	219,225	+ 22.6
SHOPPING CENTER DEVELOPERS				
Crown American[2]	124	+ 552.6	1,146	− 14.2
Federal Realty	5,159	+ 173.0	9,274	+ 53.4
Forest City Ent.†	2,134	+ 267.5	2,161	− 38.1
Rouse	6,367	+ 235.1	19,992	+ 88.7
Vornado	1,688	+ 30.2	10,121	+ 2.4
Weingarten	3,652	− 13.0	21,344	+ 20.3
Composite	19,124	+ 93.2	62,093	+ 26.5

N/A = not applicable because of loss in either current or comparble period
N/C = no change
* = before extraordinary items or changes in accounting principles
† = continuing operations only
[1] = first quarter figures
[2] = second quarter figures
[3] = third quarter figures
Source: Company reports

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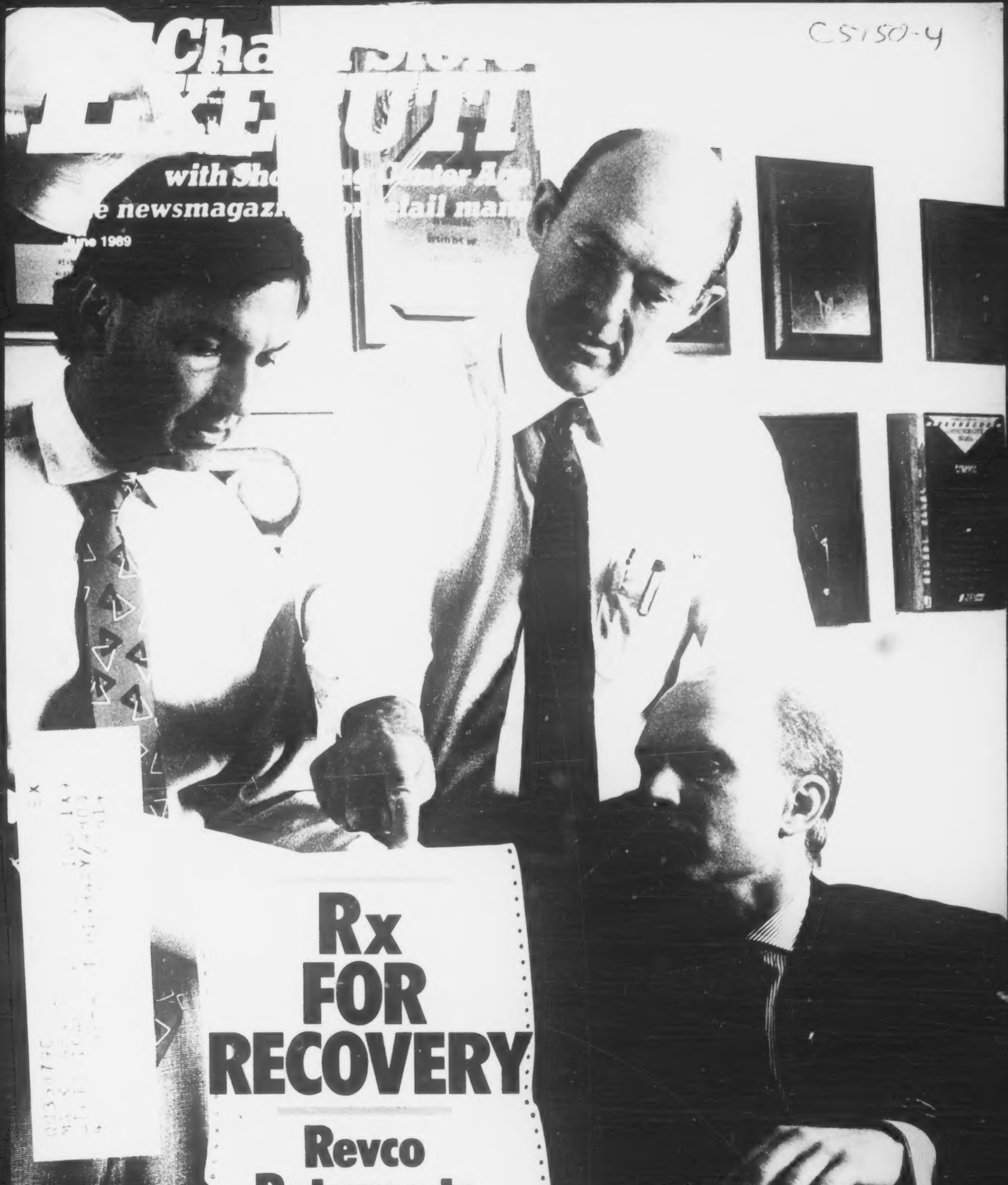
June 1989



Rx FOR RECOVERY

Revco Returns to Pharmacy Roots

(Left To Right)
James B. Adamson, Exec VP Marketing
Boake A. Sells, Chairman/CEO
Jeffrey R. Doshan, VP/GMM

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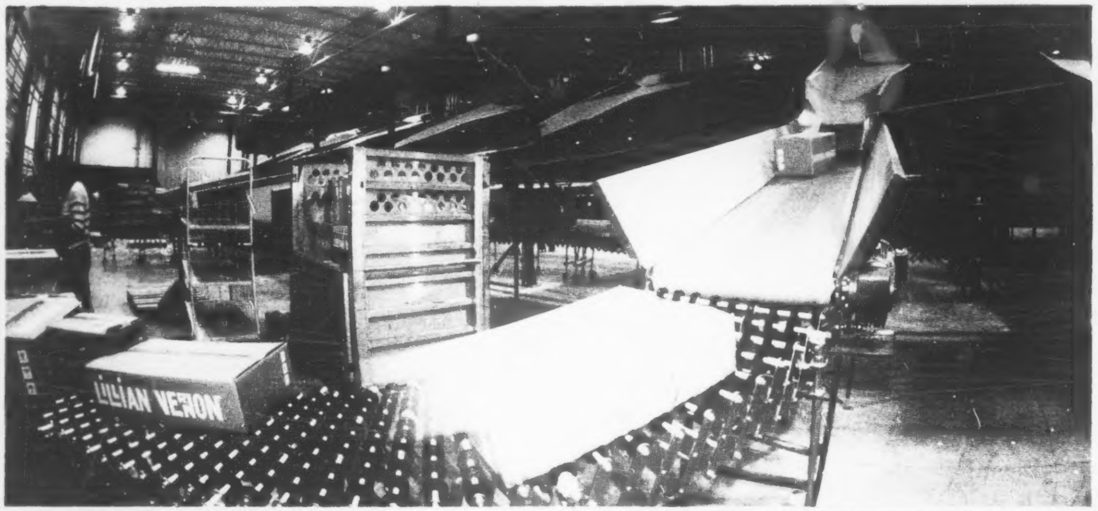

AUTOMATED MAIL ORDER DISTRIBUTION

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The newsmagazine for retail management

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TOO EARLY TO GAUGE 'NEW' SEARS IMPACT

Sears, Roebuck & Co. continued to pull in strong sales during the second month of its everyday low pricing strategy. But it is still too early to tell which retailers Sears is hurting. Sears produced a 9.2% gain in April highlighted by a 6.8% jump in same store sales.

The conventional wisdom is that discount stores would be hurt most by Sears' new-found aggressiveness. To some extent, the theory appears well founded. K mart had an anemic 2.3% overall sales increase and a drop of 1% in same store sales in April while Rose's and Ames also registered declines in their comparable unit sales.

But Wal-Mart, Hills, Jamesway, Dayton Hudson's Target division and May Co.'s Caldor and Venture units, posted solid same store sales gains. Target's same store sales boost was 11% (20% overall). Caldor's comp stores roared ahead by 15.6% (17.7% overall), with Venture ringing up a 9.2% comp store surge (11.2% overall).

Sears also does not seem to have had any negative effect on J. C. Penney or Montgomery Ward.

Analysts described apparel sales as much stronger than hard goods. True to form, The Gap and The Limited produced the best same store sales increases than any other company. And Best Buy suffered the worst setback.

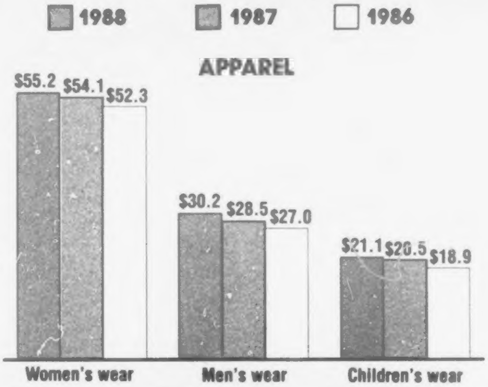
Nevertheless, vibrant sales of electronics were reported by Circuit City. Home appliances and electronics had double digit increases at Sears, while at Montgomery Ward electronics were cited as among the best performing merchandise lines. And Lechmere, Dayton Hudson's hardlines chain, experienced a 15% gain overall and a 5% comp store sales improvement.

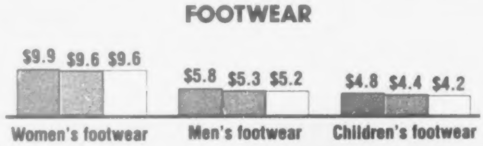
Company	April '89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,499,841	+ 9.2	+ 6.8	$7,515,196	+ 11.2	+ 7.9
Penney	1,125,000	+ 9.3	+ 6.8	3,314,000	+ 5.3	+ 2.5
Ward	352,421	+ 10.5	+ 10.0	1,016,865	+ 8.2	+ 7.2
Woolworth	609,000	+ 10.8	+ 6.7	1,876,000	+ 9.1	+ 3.6
Melville	507,623	+ 13.6	+ 6.6	2,036,304	+ 12.7	+ 4.3
K mart	2,054,673	+ 2.3	− 1.0	6,070,206	+ 3.9	+ 0.2
Wal-Mart	1,978,000	+ 25.3	+ 11.0	5,369,000	+ 25.0	+ 11.0
Dayton Hudson	900,000	+ 18.2	+ 11.8	2,760,000	+ 11.3	+ 5.3
Ames	380,000	+ 133.1	− 1.3	1,116,000	+ 125.9	+ 0.6
Hills	145,824	+ 51.2	+ 13.6	397,739	+ 25.1	+ 3.3
Rose's	118,201	+ 0.1	− 5.4	327,452	+ 6.2	+ 0.4
Dollar General	41,800	+ 4.6	+ 5.3	169,000	+ 4.7	+ 5.4
Jamesway	57,165	+ 16.9	+ 7.0	161,918	+ 10.0	+ 1.0
May	858,200	+ 29.4	+ 10.5	2,574,400	+ 24.1	+ 5.6
Carter Hawley Hale	190,300	+ 3.1	+ 2.2	595,300	+ 9.0	+ 8.0
Mercantile	154,299	+ 2.9	+ 1.9	483,387	+ 3.5	+ 2.4
Neiman-Marcus Group	105,700	+ 23.7	+ 13.5	1,123,600	+ 18.3	+ 8.3
The Limited	307,000	+ 22.2	+ 18.0	964,600	+ 19.0	+ 14.0
The Gap	104,000	+ 30.0	+ 20.0	310,000	+ 29.0	+ 19.0
Circuit City	132,400	+ 26.0	+ 6.0	257,300	+ 25.0	n/r
Best Buy	34,000	− 3.0	− 5.0	34,000	− 3.0	− 5.0
Walgreen	426,301	+ 6.7	+ 6.0	1,744,554	+ 10.0	+ 9.1

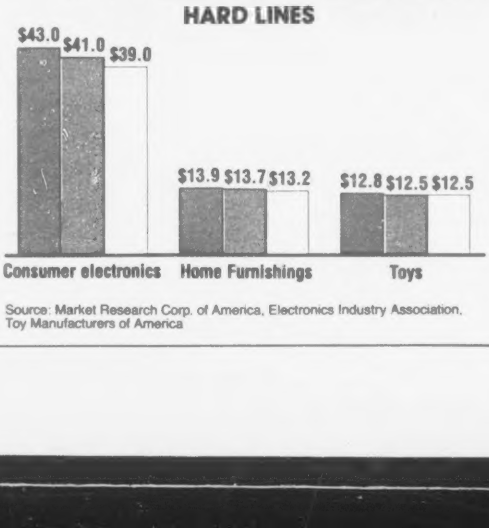
N/R = not reported

Source: Company reports

RETAIL PRODUCTIVITY
(sales in billions)







Source: Market Research Corp. of America, Electronics Industry Association, Toy Manufacturers of America

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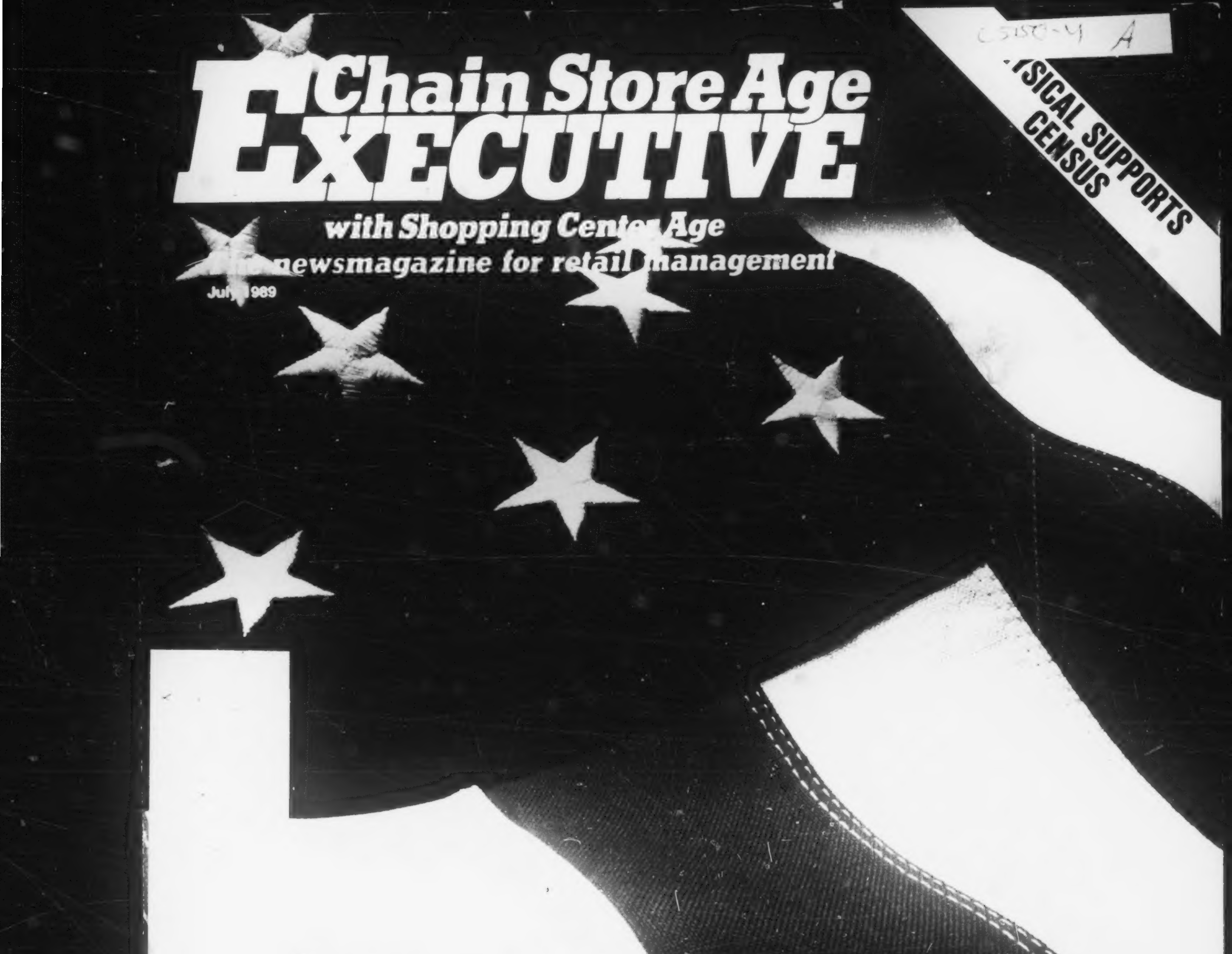

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with Shopping Center Age
The newsmagazine for retail management

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WHERE AMERICA SHOPS

More families than ever before are shopping at discount stores. At the same time, Americans are making fewer shopping trips to virtually every other type of retail store. The reason? Discount stores simply provide the best value for shoppers' money.

These are the major conclusions of an exclusive *Chain Store Age Executive/Better Homes & Gardens* consumer study.

The mail survey questioned 389 members of the *Better Homes & Gardens* Consumer Panel, a demographically projectable nationwide sample.

The Consumer Panel mirrors all U.S. households geographically, but is slightly younger (43 years old), is more upscale (Annual income: $39,000) and is more likely to be married (83%) than American families generally.

Discount stores, reveals the survey, clearly are pulling market share away from other retail formats.

Asked to name the types of stores that provide the best value for their money, 64% of respondents in the *Chain Store Age Executive/Better Homes & Gardens* study pick discount stores.

Discount stores are the top choice for all age groups, college graduates, all income levels and every household size

Following are department stores (56%), J. C. Penney (36%), Sears (31%), off-price apparel stores (29%) and mail order catalogs (22%).

Discount stores are the top choice for all age groups, college graduates, all income levels and every household size. Both families with children and those without children pick discounters as providing the best value for their money.

Those value perceptions are changing where families choose to shop. Among the 10 retail formats in the study, only discount stores are recording a net gain in shopping trips compared to a year ago.

Almost one-third (31%) of the Consumer Panel reports that they are making more shopping trips to discount stores this year compared to a year ago.

Slightly more than half (54%) say they are buying at discounters about the same as last year. Only 14% report making fewer shopping trips to discount stores.

Virtually every demographic group measured in the study reports that the majority of its members are making more shopping trips to dis-

WHERE AMERICA SHOPS

count stores this year.

The same can not be said for the survey's big market share losers. A whopping 47% of the Consumer Panel say that they are making fewer trips to catalog showrooms this year. Only 3% are shopping the catalogers more often.

Sears, apparel specialty stores and product specialty stores record similar losses.

While 11% of the respondents say they are shopping Sears more frequently, 41% report buying at the nation's biggest retailer less often than a year ago.

(The study does not reflect any changes—if any—as a result of Sears' switch to everyday low prices in March, since the study was conducted the previous month.)

Apparel to blame? Apparel specialty stores record a 28% net loss in the survey. A shift in where Americans buy apparel, combined with a weak apparel market, could explain the survey's results.

According to Stamford, Conn.-based MRCA Information Services, 1 out of 4 apparel items sold in America now is sold through discount channels.

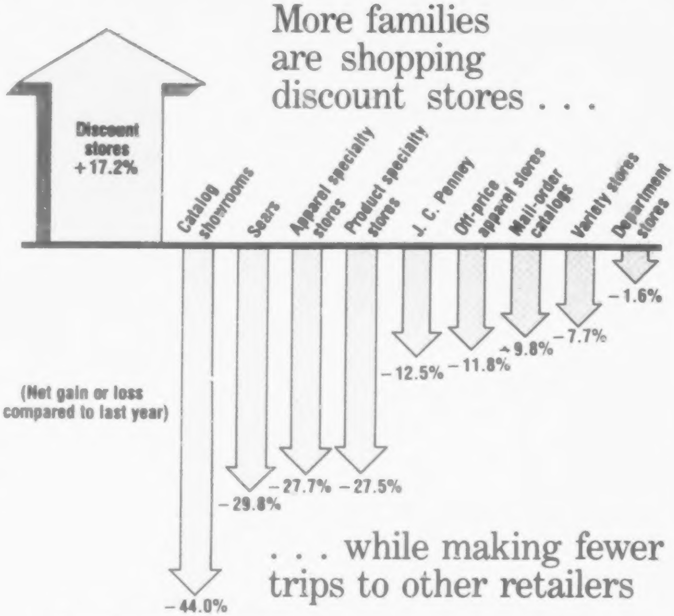
Even more astounding: 74% of Americans made an apparel purchase at one of the top 10 discount stores in the fourth quarter of 1988, says MRCA Information Services.

The top 10 discounters include: Ames, Bradlees, Caldor, Hills, K mart, Shopko, Target, Venture, Wal-Mart and Zayre.

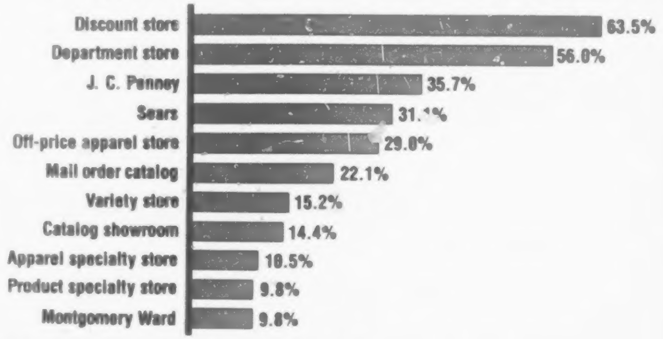
Though discount stores maintain top market share as measured by units, says MRCA Information Services, department stores retain the top position as measured by dollar sales. Taken together, department stores sell a value equal to about 25% of all apparel.

Department stores seem to be holding onto their customers—but

Customers pick discount stores for best value



What type of store offers the best value for your money?



Totals more than 100% due to multiple responses

Source: *Chain Store Age Executive/Better Homes & Gardens*

only barely. Just about the same amount of customers in the *Chain Store Age Executive/Better Homes & Gardens* survey say that they are shopping department stores more frequently this year as say they are shopping them less frequently.

Off-price apparel specialty stores, though recording fewer shopping trips in the study, do seem to be picking up some interesting new customers.

Among those most likely to shop the off-pricers this year are households with incomes more than $35,000, college graduates, and where the female family head works full-time outside the home.

Those results mirror data from MRCA Information Services, which reports that off-price apparel outlets recorded an 11% hike in apparel sales in 1988, compared to an industry average of 3%.

Quality the key: Customers report buying more merchandise on sale this year (22% say they are more likely to wait for a sale). A hefty 41% say that a product's price concerns them more than it did just a year ago.

Those most likely to express concerns about price are younger shoppers, less educated customers, and families that earn $25,000 or more annually. The same groups report waiting for sales before buying.

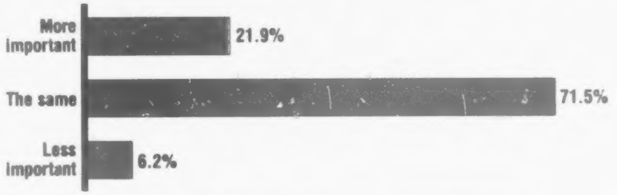
There is more than low price that attracts customers, however. Almost one-third (31%) of the Consumer Panel say that they are more willing to pay more for better products. Only 4% say they are less willing to spend more for quality.

Those most likely to pay more for something better include all age groups, but particularly those under 34 years old, college graduates, families earning more than $25,000 and households where the female head works full-time.

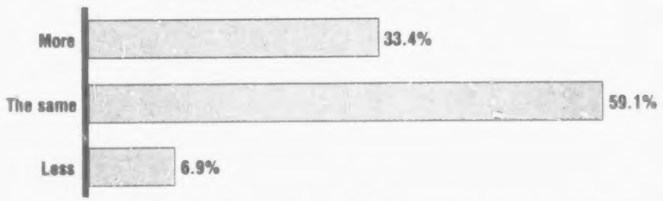
—Rick Gallagher

Customers want quality merchandise—on sale

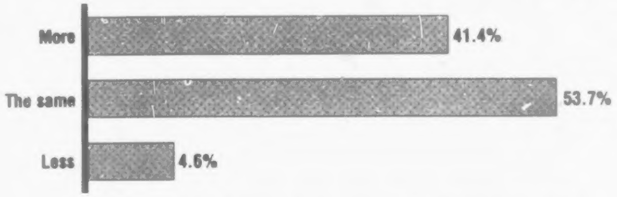
The main reason I pick a store is because it is having a sale. Compared to a year ago, this reason is:



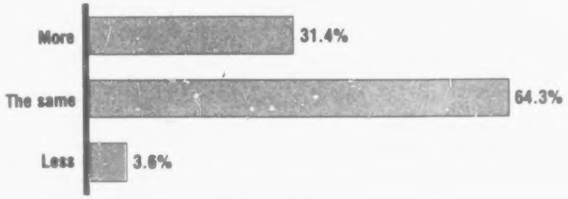
Compared to a year ago, the amount of merchandise I buy on sale is:



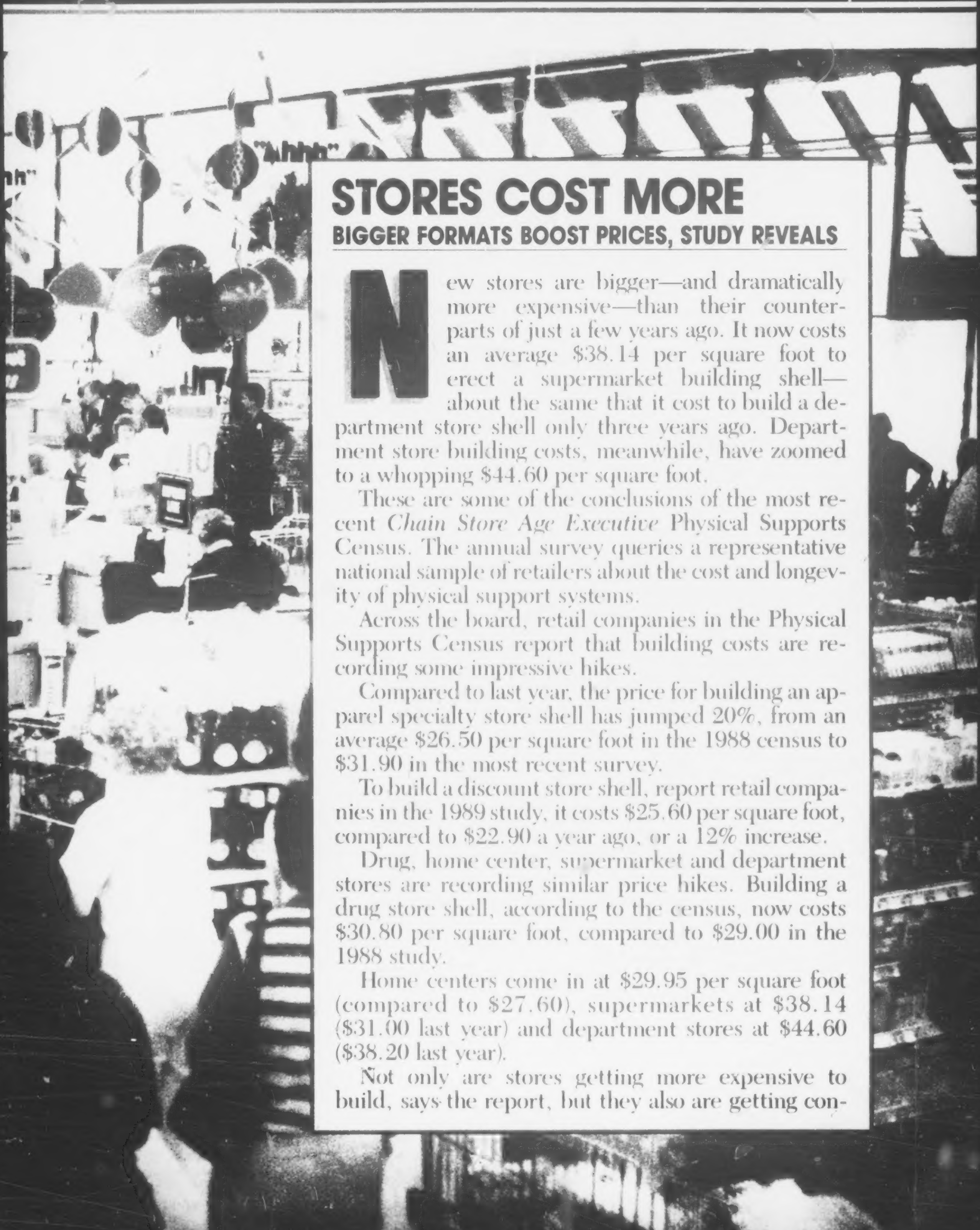
Compared to a year ago, a product's price concerns me:



Compared to a year ago, my willingness to pay more for better products is:



Source: *Chain Store Age Executive/Better Homes & Gardens*



STORES COST MORE

BIGGER FORMATS BOOST PRICES, STUDY REVEALS

New stores are bigger—and dramatically more expensive—than their counterparts of just a few years ago. It now costs an average $38.14 per square foot to erect a supermarket building shell—about the same that it cost to build a department store shell only three years ago. Department store building costs, meanwhile, have zoomed to a whopping $44.60 per square foot.

These are some of the conclusions of the most recent *Chain Store Age Executive* Physical Supports Census. The annual survey queries a representative national sample of retailers about the cost and longevity of physical support systems.

Across the board, retail companies in the Physical Supports Census report that building costs are recording some impressive hikes.

Compared to last year, the price for building an apparel specialty store shell has jumped 20%, from an average $26.50 per square foot in the 1988 census to $31.90 in the most recent survey.

To build a discount store shell, report retail companies in the 1989 study, it costs $25.60 per square foot, compared to $22.90 a year ago, or a 12% increase.

Drug, home center, supermarket and department stores are recording similar price hikes. Building a drug store shell, according to the census, now costs $30.80 per square foot, compared to $29.00 in the 1988 study.

Home centers come in at $29.95 per square foot (compared to $27.60), supermarkets at $38.14 ($31.00 last year) and department stores at $44.60 ($38.20 last year).

Not only are stores getting more expensive to build, says the report, but they also are getting considerably bigger. Newly-constructed drug stores, say retailers in the survey, average 19,200 sq. ft. This compares to existing drug stores that total 13,700 sq. ft.

Part of that increase undoubtedly is a reflection of strategies that include broader merchandise mixes. Also, the rapid growth of deep discount drug outlets, which usually operate larger-scale formats, is reflected in this year's figures.

Discount and home center retailers are building bigger stores, too. The average discount store already in operation measures 74,164 sq. ft., say respondents in the census. Discount stores built in the past year measure a significantly larger 83,788 sq. ft.

As more discounters experiment with formats that include food retailing, for example, the new merchandise schemes require bigger stores. Wal-Mart's Supercenters, for example, measure 95,000-158,000 sq. ft., compared to the typical 60,000-sq.-ft. traditional Wal-Mart.

Changing merchandising strategies at home centers is having a similar effect in that retail arena. Newly-erected home centers, according to the survey, total 56,800 sq. ft. Older stores measure a more modest 44,700 sq. ft.

The change most likely is attributable to the continuing trend in the home center industry away from "lumber and nails" merchandise strategies to those that emphasize "do-it-yourself" home improvement and even home fashion.

Smaller, but not cheaper: The trend to bigger stores, however, does not cross all retail formats. Apparel specialty stores in this year's Physical Supports Census report that new units are slightly smaller than existing stores (3,800 sq. ft., compared to 3,900 sq. ft.).

Newly-constructed department stores are smaller than the *grande dames* of the past. Stores opened last year averaged 146,000 sq. ft., compared to 160,750 sq. ft. for existing stores.

Supermarkets that debuted last year were slightly smaller (51,400 sq. ft.) than their sister stores already in operation (52,644 sq. ft.).

Regardless of size, building a new store this year is simply a more expensive exercise than it was a year ago. Construction-cost inflation as reported in the study clearly is outpacing retailer's profit or sales gains.

In 1988 retailers questioned in the Physical Supports Census reported that a department store shell cost an average $4.9 million to erect. This year, they report a $6.5 million price tag, despite the smaller average size of the stores getting built.

The average supermarket shell cost $1.2 million to build in last year's study. In the most recent survey, the price has jumped to $2 million.

Similar price hikes are reported across the board. The average discount store shell came in at $1.6 million in the 1988 census. This year, it cost $2.1 million to erect a new discount store shell.

Home center shells, according to the study, cost nearly $900,000 last year. In the 1989 census the figure jumped to $1.7 million.

Drug stores, in contrast, are the only retail category reporting that their average construction costs were unchanged. ■

Apparel Specialty

Existing stores (average gross sq. ft.): 3,900 sq. ft.

Existing stores (average selling space): 3,500 sq. ft.

Stores opened 1988 (average gross sq. ft.): 3,800 sq. ft.

Stores opened 1988 (average selling space): 3,420 sq. ft.

Cost to erect building shell 1988: $31.90 per square foot

Source: *Chain Store Age Executive research*

Department

Existing stores (average gross sq. ft.): 160,750 sq. ft.

Existing stores (average selling space): 130,200 sq. ft.

Stores opened 1988 (average gross sq. ft.): 146,000 sq. ft.

Stores opened 1988 (average selling space): 120,000 sq. ft.

Cost to erect building shell 1988: $44.60 per square foot

Source: *Chain Store Age Executive research*

Discount

Existing stores (average gross sq. ft.): 74,164 sq. ft.

Existing stores (average selling space): 54,000 sq. ft.

Stores opened 1988 (average gross sq. ft.): 83,788 sq. ft.

Stores opened 1988 (average selling space): 67,870 sq. ft.

Cost to erect building shell 1988: $25.60 per square foot

Source: *Chain Store Age Executive research*

Drug

Existing stores (average gross sq. ft.): 13,700 sq. ft.

Existing stores (average selling space): 10,900 sq. ft.

Stores opened 1988 (average gross sq. ft.): 19,200 sq. ft.

Stores opened 1988 (average selling space): 15,900 sq. ft.

Cost to erect building shell 1988: $30.80 per square foot

Source: *Chain Store Age Executive research*

Home Center

Existing stores (average gross sq. ft.): 44,700 sq. ft.

Existing stores (average selling space): 40,250 sq. ft.

Stores opened 1988 (average gross sq. ft.): 56,800 sq. ft.

Stores opened 1988 (average selling space): 46,000 sq. ft.

Cost to erect building shell 1988: $29.95 per square foot

Source: *Chain Store Age Executive research*

Supermarket

Existing stores (average gross sq. ft.): 52,644 sq. ft.

Existing stores (average selling space): 44,700 sq. ft.

Stores opened 1988 (average gross sq. ft.): 51,400 sq. ft.

Stores opened 1988 (average selling space): 49,953 sq. ft.

Cost to erect building shell 1988: $38.14 per square foot

Source: *Chain Store Age Executive research*

LIGHTING COSTS CUT: IT'S ALL DONE WITH MIRRORS

REFLECTOR MATERIAL SHOWS SHINING RESULTS IN HALLMARK STORES

For David Stone, saving money on lighting is being done with mirrors—literally. The owner of five David Stone Hallmarks in the Rockford, Ill., area, Stone has cut lighting costs dramatically with the use of Specular+, a mirror-like reflector material.

The material is made by Pre-Finish Metals, based in Elk Grove Village, Ill. The firm is a subsidiary of Material Sciences Corp.

Most fluorescent reflectors use white painted metal to increase light levels. However, the paint absorbs a substantial portion of the light (as much as 30%-40%) as heat, and distributes the remaining light over a larger area.

Specular+, its manufacturers claim, acts as an "energy mirror," offering 95% total reflectivity. As a result, more light is obtained with fewer fixtures.

"It just made sense [to try Specular+]," says Stone, owner of five David Stone's Hallmark stores in the Rockford, Ill., area. Stone installed the fixtures in one store as a test.

"We tried it in one store, and it worked. The savings projections were right on the button," he says.

As a result, another store received the Specular+ fixtures. "The wattage used at one store was down 33%, and the other 34%," Stone adds.

To Stone, the light seems slightly dimmer. "You just sense it. But when we put the light meters on, levels fell well within Hallmark's recommended levels."

David Stone's Hallmark's test *of Specular+ led to further installations*

Cost per square foot for interior lighting

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than $.10	—	—	—	—	—	—
$0.15-$0.25	—	—	—	—	—	—
$0.26-$0.50	20	25	12.5	—	33.3	10
$0.51-$0.75	—	—	—	—	—	10
$0.76-$1.00	20	25	—	—	33.3	10
$1.01-$2.00	60	20	50.0	66.6	—	50
More than $2.00	—	25	37.5	33.3	33.3	20
Don't know/no answer	—	—	—	—	—	—

Source: *Chain Store Age Executive* research

Besides increased reflectivity, Specular+ offers greater control of where the light is focused. More light can be focused where it is needed, and less is wasted illuminating the ceilings.

"If you want to focus it straight downward, you can. If you want it more spread out, that's also possible," says Russ Eikerd, national accounts manager at Pre-Finish Metals.

Re-directed light: "There's no question that you won't have as much light on the ceilings. But is it important [to have it there]?," asks Eikerd. "We're suggesting an improvement in the functional quantity of light reflected."

As a result, he says, air conditioning costs also shrink, as fewer lights produce less heat and require less air conditioning.

Since the system has been in place only a few months, Stone is less certain about the company's claim to HVAC savings, adding that the summer will give him a better chance to evaluate HVAC savings.

"What's most important is the saving on straight electrical use. Anything else you save is frosting on the cake," Stone says.

It may be more than that. Eikerd says that the smaller amount of heat means that electrical components may last longer. "A cooler fixture will last longer. We can double the life of a ballast," Eikerd says.

The system also frees up electrical panel capacity, as fewer lights and ballasts are used to produce the same amount of light. Installation of the material may qualify a store for a utility company rebate.

While the quantity of light distributed is similar, according to Eikerd, the quality is improved. He notes that Specular+ enhances color contrast while reducing glare by selectively removing certain short wavelengths of blue light. However, color balance is maintained. Eikerd compares the effect to that of "a good pair of sunglasses."

Specular+ manages to do all this thanks to a combination of two advanced technologies. The first, continuous wide-web sputtering, deposits a layer of pure silver onto a thin plastic film sheet. The second, coil

Lifespan for interior lighting

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	—	—	—	—	—	50
6-10 years	33.3	57.1	40	33.3	25	25
11-15 years	—	—	20	33.3	50	—
16-20 years	66.6	28.6	30	33.3	—	25
21-29 years	—	14.3	—	—	—	—
30 years or more	—	—	—	—	—	—
Lifetime/permanent/ don't replace	—	—	10	—	25	—
As needed/required	—	—	—	—	—	—
Don't know/can't estimate	—	—	—	—	—	—

Source: *Chain Store Age Executive* research

coating, coats the silver reflective film onto continuous rolls of coiled metal.

Quick payback: The average cost of replacing a standard 2 ft. by 4 ft. fluorescent fixture with Specular + is about $45-$60 per fixture. The firm estimates that a typical company can recoup its investment in two years or less.

Checking a recent electric bill, Stone notes that his 5,000-sq.-ft. store used 242.3 kilowatts of electricity one month last year. One year later, he used 161.1 kilowatts.

Such savings, he estimates, will result in a payback period of 12-14 months.

Other ancillary costs are also reduced, the company claims. Fewer lights and ballasts mean lower maintenance costs. In addition, Eikerd says, the fixtures are extremely easy to replace.

"Many reflectors are installed with wing nuts. Ours, however, are installed with a plastic turnkey. Without any tools, someone can open up the fixture, twist a couple of keys and have the reflector in his hand," Eikerd says.

He says that Specular + is easy to clean, requiring only a feather duster or mild household detergent. Accelerated aging tests show that Specular + should last at least 10 years, says Eikerd.

This exceeds the performance of white paint reflectors, which Eikerd says suffer from a neglect problem.

"No one repaints them, no one cleans them. The biggest problem is getting people to care about their fixtures," he says.

Stone cared, and is "satisfied" with the result. ■

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CODA: FACTORY-STYLE FASHION

CONCEPT FEATURES INDUSTRIAL-STRENGTH DECOR

The music rocks, the clothing is hip, and the decor is decidedly different from most other retail formats. Coda, a new young men's specialty apparel chain, features the latest fashions in a factory-type setting.

"Coda is targeted at 16- to 30-year old males who are fashion-conscious and brand-conscious," says Mike Romick, assistant marketing director of Coda, a division of St. Louis-based Edison Bros.

"The store is designed as a cross between an old factory and a warehouse. It has a very urban feel to it."

Coda's design concept was created in-house by Walt Liebert, vp, director of marketing, Edison Men's Wear Group; Ron Bradley, assistant vp, director of construction, Edison Men's Wear Group; and Paul Eisen, vp, general merchandise manager, Coda.

The chain's unusual name has musical roots. By definition, a coda is a final passage in music.

"It also means to repeat, or go back to the beginning," explains Romick.

"Hopefully, that's what our customers will do by returning to Coda to shop."

The seven-unit chain is barely a year old. Stores, which average 2,500-3,500 sq. ft., are located in enclosed malls.

"We opened our first store last August in Chicago," Romick says.

"We hope to have a total of 15 to 20 units by the end of this year, with a bigger store rollout planned for 1990."

Factory atmosphere: Coda stores are distinguished by their unusual warehouse/factory environment. The look does not come easy—or cheap.

"It's a very complicated store to put together," admits Romick.

"We went all out with the design concept, starting from the moment the customer walks in the front door. Everything in the store, from the flooring to the ceiling, contributes to the overall effect."

The storefront is designed to resemble a factory entrance. It is made of structural aluminum and manufactured by Omaha-based Omaha Fixture Manufacturing.

Omaha manufactures most of the store's specialty fixturing (including its fitting rooms, the interior columns and the cash wraps). Coda's front windows are made from wire-meshed glass.

"The store looks like a refurbished factory," explains Dan Gould, operations manager, Omaha Fixtures.

The factory-like ambience is particularly evident inside the store. Industrial lights hang from the high exposed ceiling.

"The open ceiling enhances the overall design," adds Coda's Mike Romick. "It also makes for a very dramatic look."

The store's interior columns are made of I-beams, similar to the type found in many old factories.

Among the specialty fixtures used to enhance Coda's industrial atmosphere is a black wrought-iron spiral staircase.

Other props include a set of two pulleys hanging from the ceiling. They suspend a mannequin in mid-air.

One of the more interesting aspects of the design is a catwalk that lines the rim of one side of the store.

***Black wrought-iron staircase** and catwalk reinforce Coda's factory atmosphere*

Cost per square foot for fixtures

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than $3.00	10	—	—	33.3	—	25
$3.01-$6.00	20	16.7	—	33.3	66.6	50
$6.01-$9.00	40	50.0	12.5	—	—	—
$9.01-$12.00	20	—	12.5	33.3	—	—
$12.01-$15.00	10	16.7	—	—	—	—
More than $15.00	—	16.7	75.0	—	—	—
Don't know/no answer	—	—	—	—	—	—

Source: *Chain Store Age Executive* research

Types of fixtures used

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Small racks for accessories	66.6	42.9	54.5	100.0	25	100
Large racks for apparel	66.6	14.3	27.3	100.0	25	100
Showcases	66.6	100.0	81.8	100.0	50	75
Glass cubes	33.3	28.6	9.1	100.0	25	25
Gondolas	66.6	100.0	100.0	100.0	100	25
Shelving	100.0	100.0	100.0	100.0	100	75
Tables	66.6	42.9	81.8	66.6	50	75
Wall display units	100.0	85.7	81.8	100.0	50	100
All other mentions	33.3	14.3	54.1	—	25	25

Source: *Chain Store Age Executive* research

Lifespan for fixtures

	Discount %	Drug %	Super-market %	Depart-ment %	Home Center %	Apparel Specialty %
5 years or less	10	—	—	—	—	50
6-10 years	60	62.5	63.6	50	33.3	50
11-15 years	20	25.0	36.3	50	66.6	—
16-20 years	—	12.5	—	—	—	—
Lifetime/permanent/ don't replace	—	—	—	—	—	—
As needed/required 10	—	—	—	—	—	—
Don't know/can't estimate	—	—	—	—	—	—

Source: *Chain Store Age Executive* research

"Coda uses the catwalk to display mannequins, cinderblocks and other props," explains Omaha's Gould.

Finishing touches: Special materials and finishes also lend to the ambience.

The fitting rooms are made of steel dock plate which has a heavy industrial look.

The back portion of the store is designed to look like a crumbling brick wall. The store name is emblazoned across the wall in large, graffiti-type lettering.

"We used a heavy stucco finish on the top half of the wall to make it appear as if the wall is crumbling apart," explains Gould.

"The same look is carried through around the cash wraps."

Concrete flooring and cement cinderblock walls add to the atmosphere. A black and yellow safety strip on the floor designates the traffic flow.

"We took great care to see that everything looks authentic," adds Coda's Mike Romick.

"We even stained the parquet floor in the back of the store with a black wood wash."

Stylish apparel: Coda merchandise consists of stylishly casual and formal apparel. Although the chain carries private label merchandise, it is much more brand-oriented than Edison's other men's wear stores.

"We have found that our target customer is brand-conscious," explains Romick.

"As a result, Coda is also moving in that direction."

Customer reaction to the new chain has been enthusiastic, Romick says. He credits Coda's unusual design for a large part of its success.

"The early results are very good," Romick says.

"We pulled out all the stops with Coda. The result is a shopping experience that's totally different from anything else out there." ■

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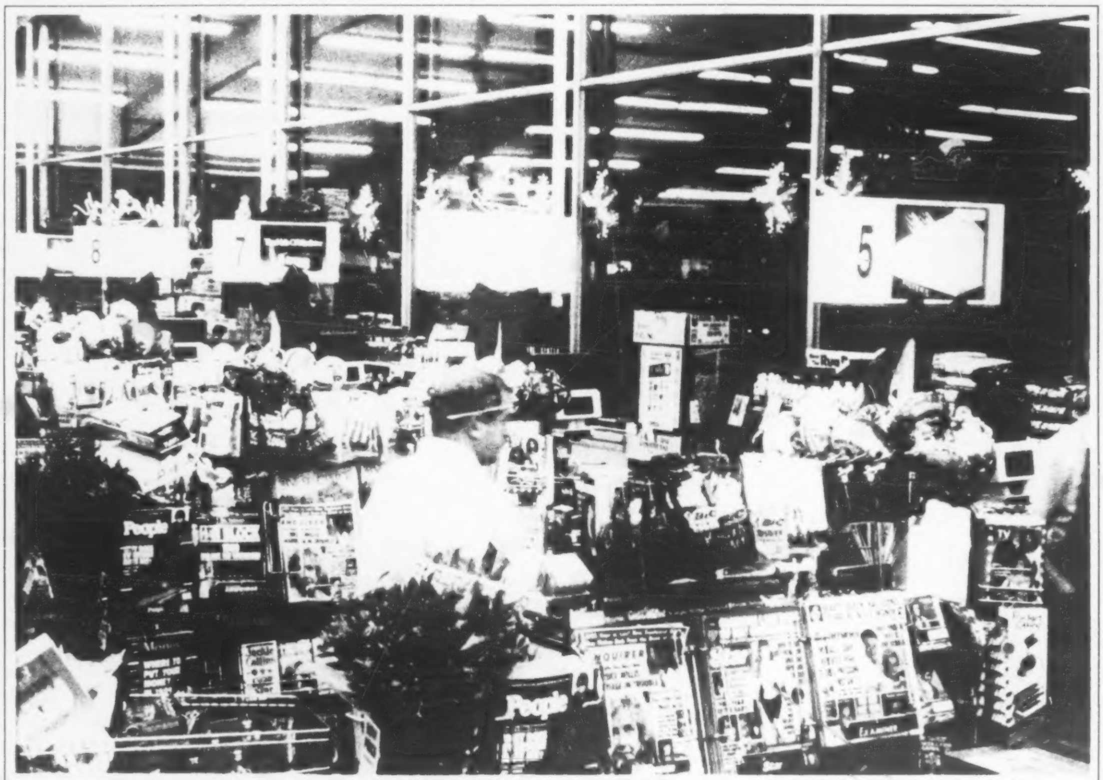


Safeway store uses SuperAd to mark checkout aisles while also providing an additional source of income

SUPERMARKETS MOUNT ADS AT CHECKOUT

ILLUMINATED SIGNS COMBINE AISLE NUMBERS AND PRODUCT INFO

Just when it seemed that every available inch of space in a supermarket was covered with some form of advertising or promotion, marketers have discovered uncharted territory.

Beyond the walls, shelves, windows and shopping carts, the last frontier for display advertising in a supermarket until now has been the checkout lane. Even this space soon will provide a target for sales-conscious vendors.

In thousands of stores across the country, the area just above the eye level of every paying customer will be invaded by a small lighted fixture called SuperAd.

This small beacon is a concept its creators hope will successfully replace the common aisle-number cube and revolutionize traditional theories of ad placement in stores.

The unit, developed by New York firm MediaOne and designed by graphic artist Milton Glaser, measures 10 in. by 23 in. and stands atop a 6-ft. pole.

SuperAd provides space for two ads, and is back-lit. Each unit has a slot on the top for express lane signs, which are included in the package.

Although the ad space remains constantly lit, the light for the number area can be flipped on or off from a switch at the base of the unit, alerting shoppers to the open registers. The light also flashes to notify managers when a cashier needs help.

The store receives the unit free, while the advertisers pay on a four-week cycle. Stores receive 25% of net advertising revenues. Advertisers can purchase the space nationally, regionally or in specific markets.

Presently, R.J. Reynolds, Nabisco, Lever Bros. and Colgate have signed on for a trial run.

The units are maintained and serviced by Donnelley Marketing Services, a Dun & Bradstreet company. The copy changes every four weeks, with the ads rotating closer to the express lanes.

A number of supermarket chains already have installed the units or are in the process. Kroger has installed the units in 100 of its stores, approximately 10 per store. Winn-Dixie also has committed to large-scale installation, as have Safeway, Bi-Lo and Food Lion.

The units can be custom-colored to suit the store. For example, in Winn-Dixie locations, the unit will be red; in ABCO, the Phoenix-based chain, burgundy and white.

Verdict out: But the jury has yet to decide on the effectiveness of running advertising at the checkout stand. Will it pay to try to attract consumers at the end of their shopping

Cost per square foot for interior signage

	Discount %	Drug %	Super-market %	Depart-ment %	Home Center %	Apparel Specialty %
Less than $.10	15	25.0	12.5	—	—	30
$0.10-$0.14	—	—	—	25.0	—	50
$0.15-$0.25	20	—	12.5	12.5	33.3	20
$0.26-$0.50	50	25.0	25.0	12.5	33.3	—
$0.51-$0.75	15	12.5	37.5	—	—	—
$0.76-$1.00	—	25.0	—	50.0	—	—
$1.01-$2.00	—	12.5	12.5	—	—	—
More than $2.00	—	—	—	—	33.3	—
Don't know/no answer	—	—	—	—	—	—

Source: *Chain Store Age Executive* research

Lifespan for interior signage

	Discount %	Drug %	Super-market %	Depart-ment %	Home Center %	Apparel Specialty %
5 years or less	66.6	16.7	30	50	50	75
6-10 years	33.3	66.6	50	20	30	25
11-15 years	—	—	20	—	—	—
16-20 years	—	—	—	—	—	—
Lifetime/permanent/ don't replace	—	16.7	—	—	—	—
As needed/required	—	—	—	30	—	—
Don't have it/don't use it	—	—	—	—	—	—
Don't know/can't estimate	—	—	—	—	20	—

Source: *Chain Store Age Executive* research

trips?

"We've never had any advertisements at the checkout," says Mickey Clere, Winn-Dixie, adding that it is too early to quote results.

Management, still somewhat skeptical, holds the final approval on determining which products are advertised.

"Right now we are approving only items that won't have a negative effect on our customers," he says.

Ten SuperAd displays were installed in a Market Basket in Hawthorne, Calif., four months ago.

While store manager Ralph Ruehlen likes the units, he admits that their impact on sales is hard to quantify. "It's hard to determine what effect they are having," he says.

"It gives the store an updated, more modern look," he says. "We've had the square box look for about a thousand years. These are a good change for the supermarket industry."

Although it is too early to gather sufficient sales results, Colgate recently discovered that sales of Irish Spring increased by more than 16% in test stores.

Colgate does not reveal, however, whether bath soaps as a category are experiencing similar gains. SuperAd, like other in-store promotional gimmicks, might prove better in changing customer brand choices than in spurring additional sales.

Its major benefit to food retailers might prove to be as a source of additional revenue from consumer product companies eager to make one last sales pitch to customers as they shop.

"Marketers are beginning to recognize the importance and effectiveness of in-store advertising where they can deliver the last message before the buying decision," says Fred Dallal, president of MediaOne.

According to Dallal, the average store has 10 checkout lanes. By installing the SuperAd units, vendors supply 20 ad faces, each an opportunity to nab a sale.

"The average shopper, during a 50-minute trip, makes six passes through the main aisle of a supermarket," Dallal continues.

"At the same time the average checkout is seven to eight minutes long. Shoppers become a captive audience while they are checking out," he says.

The original gray-toned test models installed at the Los Angeles area Market Basket will be exchanged soon for new units with a chrome metal stand. Otherwise, they have been successful enough to remain unchanged.

"They can't help but have some effect. This is a high volume store, and there are lines," Ruehlen says. "With the same people seeing the units over and over again, it can't help but have some effect."

While the units themselves have not been singled out as a reason for a different look, Ruehlen claims his customers ask: "What have you done? The store looks different." ■

—Mary Lee Shalvoy

SINGLE-PLY SUITS SMITH'S STORES

SUPERMARKETER INSTALLS SYSTEM IN 60 STORES

Salt Lake City-based Smith's Food and Drug Centers was typical. Despite some problems, the chain continued to use Inverted Roof Membrane Assembly (IRMA) roofing on all of its stores—and for good reason.

The decision to change the type of roofing a retailer uses often is more serious—and usually much more expensive—than deciding to redecorate a store interior or redo signage. For this reason, stores tend to stick with one kind of roofing for a long time.

In 1985, however, Smith's decided to switch to Hi-Tuff, a single-membrane roofing. Since then, the 91-store grocery chain has put up more than 60 stores with the new roofs and has not looked back.

Before it began using Hi-Tuff, Smith's stores were roofed exclusively in the IRMA BUR, which has its insulation on the top side of the roof plane.

This construction made for difficult repairs and installation, as well as restricting the time of year that construction could take place.

"All types of insulation are good for insulating, but Hi-Tuff is easier to install and repair," says Jonathan Ramrass, director of store planning for

Smith's.

Hi-Tuff is created with the insulation underneath the roof plane. Leaks can be more easily located and repaired, Ramrass says.

Roofing contractors, meanwhile, can install the insulation as well as the roofing, saving both time and expense.

Repairs are easier when a store's insulation is on the inside of the structure because leaks are easier to find and patch, he says.

Before it switched to Hi-Tuff, Smith's was experiencing some trouble with its ballasted roofing.

The BUR-type of roof performed reasonably well in mild weather, but it was not cost-effective to install and repair.

Because the BUR is made of heated asphalt, it can not be installed during the winter months, which presented a problem for Smith's which prefers to open stores year-round.

This caused construction delays, because Smith's likes to put its roofs up before developing the interior of a new store.

"Problems with BUR roofs were generally inconvenient more than catastrophic," says John Lewis, field architect/engineer, for Smith's.

"In Utah, for instance, where temperatures can drop to five degrees Fahrenheit, the heated asphalt was impossible to install in winter," he says.

Smith's solution: To rectify the situation, the chain started to use Hi-Tuff. Hi-Tuff is a product of Stevens Roofing System, a division of JPS Elastomerics, based in Northhampton, Mass.

Lewis says that the Hi-Tuff roofing represented a low-cost, long-lasting roof that would reflect the sun and was easy to install.

It is based on DuPont's Hypalon chlorosulphonated polyethylene (CSPE) synthetic rubber. It is a lightweight, scrim-reinforced, single-ply membrane substance.

Scrim-reinforced means that there is a layer of rubber material that is poured over the nylon meshing of the roofing to make it more durable.

The way the Hi-Tuff is installed was a convincing factor in Smith's decision to switch from its current roofing to Hi-Tuff.

Hi-Tuff is mechanically fastened in place rather than ballasted, and its seams are hot-air welded. The membrane also offers thermal protection and solar resistance.

"In effect," Lewis says, "we were able to shrink-wrap the entire roof using Hi-Tuff so that any wall, penetration, parapet or piece of flashing was covered."

Lewis says that the Hi-Tuff roofing is reliable and backed by Stevens' warranty as well as Underwriter's Laboratories (UL) testing.

Hi-Tuff meets Factory Mutual's I-90 wind uplift test requirements and is rated Class A by UL for its external resistance to fire.

Because the entire roof was shrink-wrapped in Hi-Tuff, the store could mend the roof easily and everything is covered under the Stevens warranty.

This is a change, Lewis says, from the old days when leaks were difficult to locate and a lot of finger pointing took place for the blame.

"With the BUR roofing, a maintenance man could search hours and still not find the water source," Lewis explains.

Smith's Food and Drug switched to single-ply membrane roofing system

Cost per square foot for roofing

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than $.50	—	—	—	—	—	—
$0.50-$1.00	—	10	—	—	30	—
$1.01-$2.50	60	60	50	40	60	60
$2.51-$5.00	30	20	25	60	—	—
More than $5.00	—	—	25	—	—	—
Don't know/no answer	10	10	—	—	10	40

Source: *Chain Store Age Executive* research

Lifespan for roofing

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	—	—	—	—	—	—
6-10 years	—	14.3	—	—	—	—
11-15 years	33.3	42.8	9.1	20	33.3	80
16-20 years	66.6	28.6	63.6	60	66.6	—
21-29 years	—	—	—	—	—	—
30 years or more	—	—	—	—	—	—
Don't know/never replaced	—	—	—	—	—	—
Don't know/can't estimate	—	—	—	20	—	20

Source: *Chain Store Age Executive* research

Types of roofing used

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Single-ply membrane	66.6	100.0	100.0	100.0	75	33.3
BUR (Built-up roof)	66.6	83.3	81.8	66.6	75	33.3
Metal	33.3	16.6	27.3	—	75	—
Fabric	—	—	—	15.0	—	—
Other	—	—	—	33.3	—	33.3

Source: *Chain Store Age Executive* research

"Sometimes, water damaged the roof decking or stained the ceiling above a store, and many times we didn't know whether the BUR or the installer was at fault. Now there is only one line of responsibility and one person to call if there is a leak," he says.

Because Hi-Tuff is under the roof plane, it can be more easily and quickly repaired.

"The Hi-Tuff roofing is easier to fix," Ramrass explains, "because you can go up and glue a patch on the roof, like repairing a rubber tire."

Some of these characteristics would apply to any single-ply membrane, Ramrass adds, but Smith's found that Hi-Tuff fits its scheduling. The company has gotten materials on the job site when needed and done quick installation.

Hi-Tuff does stand out from some other single-ply roofing because of its resistance to tears and deterioration due to animal fats coming from the supermarket.

"The reinforced scrim makes the roof more tear-resistant, and in our operations we have roof vents in deli and meats. Animal fat would break down certain other roofing products," Ramrass explains.

From an economic standpoint the Hi-Tuff roofing is also an improvement, says Ramrass.

Because the Hi-Tuff substance is a simpler system than the other roofs, it is "significantly" less expensive, says Ramrass.

Installation benefits: The roofing is installed mechanically, rather than ballasted. What this means is that it is attached with long screws into the metal roofing deck.

Stevens provides the stores with different spacing of the screws according to wind conditions in the particular area of the store.

Because the roof is simple, it can be installed more quickly than other types of roofing.

Ramrass says that the average amount of time for a Hi-Tuff installation is 10 days to two weeks. However, a roof made up of Hi-Tuff was once put on in as little as one week.

The first Hi-Tuff roof was put on the Smith's store in Taos, N.M. Smith's had been planning to use traditional BUR roofing for the job, but changed its tack once the contractor, Redd Construction of Ogden, Utah, outlined the merits of the roofing. The 68,600-sq.-ft. job took approximately two weeks.

One of the selling points for Smith's was that Hi-Tuff can be installed in all types of weather.

After the Taos installation, Smith decided to use Hi-Tuff in all of its new stores and reroofing jobs.

Smith has put up 53 Hi-Tuff roofs since 1985, including one 60,000-sq.-ft. store built in Layton, Utah, in the middle of winter. ■

PLAN FOCUSES ON CONTROL

DRUG EMPORIUM WATCHES COSTS AND QUALITY

When the people at Drug Emporium, Worthington, Ohio sat down to design a floor maintenance program for the chain's 177 stores, they knew they needed a flexible plan.

Since two-thirds of the outlets are franchises, the approach to floor maintenance varies greatly. The thrust of the new program shifted floor maintenance in-house.

The program that 50 stores now use in is a combination plan from Racine, Wis.-based Johnson Wax and Advance Machine, Plymouth, Minn. The program is based on Johnson's Pronto floor finish and Snap Back ultra high speed (UHS) restorer.

The two machines from Advance are a 1500 RPM rotary burnisher and a 26-in. automatic scrubber, a battery-operated machine.

Drug Emporium's director of store planning, Jim Cline, says that the goal of the program was to bring down the cost of floor maintenance and to control the quality of the floor cleaning products throughout its stores.

The chain, Cline says, has experienced a one-third cost savings in stores testing the plan. Cline attributes the savings to the use of less-expensive in-house maintenance personnel instead of a third-party company.

Another goal of the plan was to reinstitute traditional cleaning techniques. "There was a real craze through the 70's and early 80's to do burnishing, and people forgot how to clean floors; they were burnishing in the dirt," Cline says.

Cost per square foot for flooring maintenance

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than $.10	20	—	50	1	10	10
$0.10-$0.14	15	—	25	1	10	40
$0.15-$0.25	10	66.6	25	—	10	40
$0.26-$0.50	25	—	—	4	40	—
$0.51-$0.75	—	33.3	—	—	30	10
$0.76-$1.00	—	—	—	—	—	—
$1.01-$2.00	—	—	—	—	—	—
More than $2.00	—	—	—	—	—	—
Individual store handles it	30	—	—	—	—	—
All other mentions	—	—	—	—	—	—
Don't know/no answer	—	—	—	40	—	—

Source: *Chain Store Age Executive* research

Lifespan for flooring maintenance equipment

	Discount %	Drug %	Super-market %	Depart-ment %	Home Center %	Apparel Specialty %
5 years or less	20	65	66.6	—	30	50
6-10 years	20	25	33.3	70.0	30	—
11-15 years	—	—	—	—	—	50
16-20 years	—	—	—	—	—	—
Lifetime/permanent/ don't replace	—	—	11.1	33.3	—	—
As needed/required	30	—	—	10.0	—	—
Mall or outside supplier handles	30	10	—	20.0	—	—
Don't know/can't estimate	—	—	—	—	40	—

Source: *Chain Store Age Executive* research

Cline says the Johnson/Advance program ensures that the stores are using reputable products and machines. He also says that the combination of products and machines being offered in the plan allows each store to determine how much shine it wants.

"A lot of stores like high gloss floors, others don't. With this combination, they can burnish to whatever gloss they want," Cline explains.

Johnson provides all Drug Emporium stores in the program with support. This includes video and audio training and maintenance information. In addition, the firm provides Drug Emporium corporate with data on all of the chemicals used in its stores. Drug Emporium, in turn, distributes all of this to its outlets.

Stores are required by law to have information on the premises about the contents of all hazardous chemicals being used. Johnson updates the stores periodically when legislation governing this area changes.

"Without a reliable company a retailer does not know its liability," Cline adds.

The national support available from both manufacturers is also very important to Cline. In addition to the training and availability of product, maintenance is also important.

"It is very important to use national account back-up, to be able to have a one-source contact for equipment ordering and service," Cline says.

More control: One example of this is a local dealer maintenance program that Advance has established for Drug Emporium stores.

Before the plan was implemented Drug Emporium stores had a variety of methods of floor maintenance throughout the chain.

Because a large portion of the stores are independent franchises, the corporation had little control over the machines or products used.

With the new program, begun 18 months ago, there is a lot more consistency.

Each store, however, still carves out its own way of implementing the plan within the guidelines of the program.

In some cases, stores buy only the chemicals. This is fine with Drug Emporium, Cline says, because the chain is content knowing that quality chemicals are being used.

"Johnson has a variety of products, and stores need to be able to choose if they want a heavy stripper or a light stripper," says Cline.

Using a large company like Johnson allows the chain to give the stores a choice without having to develop a floor maintenance program for each region.

Another way in which stores can exercise their independence is through labor.

For example, stores may decide to use an outside labor company for floor maintenance.

Cline says that the chain understands how important service is and how difficult good service is to find. Although there are a lot of talented floor maintenance workers, they are hard to train and to keep in-house, according to Cline.

"If a store is happy with the service it is getting, they can buy only the chemicals," Cline explains. "We want to make sure that they are using the proper chemicals."

In one instance a group of stores hired a crew that travels from store to store.

For the stores using in-house people, Drug Emporium recommends getting store managers interested in the job. The employees are most often taken from the receiving department or from some other area in the rear of the store.

In other instances, a person is hired specifically to perform the floor maintenance tasks.

Johnson Wax contacted Drug Emporium about its program. Before the test had been completed in the three test sites, other store managers were asking to be enrolled in the program, according to Cline.

At this point 25 more stores were added. Cline says that more stores will join the program this year.

His ultimate goal, however, is not to put all stores on the program, unless it is appropriate.

"I will put the program where it is needed. I won't force it into every area of the country. Some stores have successful floor programs they are happy with," Cline explains. ■

QUALITY, STYLE AT GROUND LEVEL

HOMEWORK PAYS OFF FOR FISHERS BIG WHEEL

Fishers Big Wheel believes it has found tiling and carpeting that can provide quality, easily maintained flooring at affordable prices. "We have done our homework. We could spend a lot more money on carpet and tiling, but we are getting quality, wearability and style," says Barry Miller, divisional vp-construction for the New Castle,. Pa.-based discounter.

"We have found flooring that is just as good as high-priced merchandise at a lower price."

The 100-store chain uses a vinyl composite tile (VCT) from Armstrong that is easy to care for and has a lot of shine. Its carpeting, also from Armstrong, is a low-pile substance that does not show the effects of the stores' high traffic.

In the foyer area, where rain and snow can collect and cause hazards, the store chose a perforated tile that allows moisture to drain away.

The most recent outlet in which Fishers has installed these products is its 57,000-sq.-ft. store in rural Alma,

Cost per square foot for flooring

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than $.50	—	—	—	—	30	—
$0.50-$1.00	50	33.3	25.0	10	20	12.5
$1.01-$2.50	50	50.0	25.0	50	50	50.0
$2.51-$5.00	—	—	37.5	40	—	25.0
$5.01-$7.50	—	—	12.5	—	—	12.5
More than $7.50	—	16.7	—	—	—	—
Don't know/no answer	—	—	—	—	—	—

Source: *Chain Store Age Executive research*

Lifespan for flooring

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	—	12.5	—	10	—	75
6-10 years	33.3	62.5	60	30	33.3	25
11-15 years	33.3	12.5	10	50	66.6	—
16-20 years	33.3	—	10	10	—	—
Lifetime/permanent/ don't replace	—	12.5	20	—	—	—
Don't know/can't estimate	—	—	—	—	—	—

Source: *Chain Store Age Executive research*

Mich.

The main department of the store is covered in the Armstrong floor tile that is ⅛ in. thick. The hard lines departments features a sterling color in the VCT.

High gloss: Miller says that Fishers chose this tile because it is durable and waxes up easily.

"In the past we have used some other tiles, but what we like about the Armstrong tile is the way it cleans up. It gives a high gloss shine," Miller explains.

Color was also important. Sterling was the shade that Fishers felt fit best with the hard lines department.

The VCT tile costs $1.25 per square foot including labor. The contractor is Standard Floors, Youngstown, Ohio. Standard took approximately three days to install the tile.

In main aisles of the Alma store, Fishers chose a cool white tile with a 4-in. red border. The cool white is a plain white tile from Armstrong.

The 12-ft. wide walkway leads customers throughout the store. The border is a separate piece of tile, also from Armstrong.

The lobby of the store features a perforated tile that is similar to a rubber mat in that it allows water to drain out from below the tile. The substance, the Futura carpet tile Drydeck from USA Kendal, Naples, Fla., comes in 12 in. x 12 in. squares and is 1 in. thick.

Absorbs moisture: Miller likens the carpet to a rubber mat, adding that the lobby is constructed with a 1 in. recess to accommodate the mat. When a customer enters the store with moisture on his shoes, water and dirt are cleaned off and soak through the flooring to a drain underneath.

"Another advantage to the flooring is that if one portion of the floor rips or is damaged in some way, we can remove that square and replace it without having to redo the entire floor,' Miller adds.

Futura is expensive, he concedes, to the tune of $4.30 per square foot, as compared to the average floor tile which costs approximately $1.25 per square foot.

Close to 60% of the store is covered in tiling, the rest in carpeting. Each store is responsible for installing its own carpeting.

In Alma, the store paid Standard to install carpeting from J&J Industries, Dalton, Ga., with a lower pile than it formerly used. Lower pile makes for less noticeable wear and tear, says Miller.

"We used to have a higher pile carpet, but it matted down in high traffic areas," Miller said.

Fishers uses J&J's dove color carpeting, which is a level loop, 22 oz. product, in soft goods departments. It has a jute back and is made of Anso nylon.

"We picked the level loop for durability, it wears well in high traffic and cleans up very well," Miller says.

Fishers also chose this carpeting because the dove color fits well with its decor and the low price.

The cost for the carpeting itself, without installation, is $6.50 per square yard, which is at the low end of the price spectrum.

Installation of the carpet was $2.30 per square yard by Standard.

The carpeting is laid after all of the floor tiling, other than the lobby, has been completed.

Laying of the carpeting takes approximately three days. Miller expects to get five to seven years out of the carpeting.

Fishers has left its stockroom area with concrete floors because the back is used for racks and carts only.

"Concrete basically suits our needs, and we feel that it is all that is necessary," Miller adds. ■

Types of flooring used

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
VAT	66.6	71.4	100	100.0	25	100
Hardwood	33.3	28.6	20	100.0	—	—
Terrazzo	33.3	28.6	70	100.0	25	—
Carpet	75.0	57.1	70	100.0	75	100
Quarry tile	33.3	28.6	100	100.0	25	25
Vinyl	66.6	71.4	60	100.0	50	25
Concrete	33.3	57.1	90	66.6	75	50
Marble	—	14.3	10	100.0	—	—
Ceramic tile	—	—	20	33.3	—	25
All other mentions	—	—	10	—	—	25

Source: *Chain Store Age Executive research*

CEILINGS ADD UPSCALE DRAMA

ACCESSORY LADY UPGRADES ITS IMAGE

***Accessory Lady creates** areas of interest with concealed lighting and ceiling treatments*

When Accessory Lady decided to upgrade its image and create design interest within its 100 specialty stores, it chose to do it with lighting.

The Dallas-based specialty retailer has 60 stores that are long and skinny with high ceilings, a configuration that makes it difficult to generate enough light and an interesting interior design.

Nevertheless, Melville Corp., Accessory Lady's parent company, managed to upgrade through a series of creative lighting fixtures.

Harrison, N.Y.-based Melville's charter was to upgrade the chain's image and provide lighting within an unusual space.

"We were trying to get appropriate lighting, break up the space, and add interest," says Alice Baylog, manager of design for Melville.

One of the challenges was that Accessory Lady did not want to use fluorescent lighting by itself.

In addition, the company was prohibited from using track lighting because of energy codes.

Expensive lock: The chain also specified that it wanted the lighting sources to be hidden to a large degree so that they would appear decorative rather than functional.

To achieve all this, Baylog designed a glass block-look ceiling for the back of the store. This design brightened up the area, which had formerly been paneled in wood.

Less expensive than real glass block, glass block-look offers an upscale image and plenty of light.

The ceiling is made of a new product from Integrated Ceilings, a Riverside, Calif.-based division of USG Interiors.

This product comes in 2x2 panels made of acrylic. The transparencies, model #200, are a clear lateral rib.

These panels were placed into a grid from Chicago-based USG Interiors. The grid is a narrow grid made of Centricitee which is less noticeable than other grids because of its width, 9/16 of an inch.

The grid is the same color, parchment, as the panels for a decorative look.

The effect is a glass block-look lighting fixture that is lower weight and substantially lower cost than real glass block.

To install the glass block-like lighting fixture, the contractor built a curtain wall first and framed it. He then put in fake ceiling to mount a series of fluorescent lights that would help light the fixture.

The fluorescent lights were placed 18 in. below the ceiling and created all of the lighting that was necessary, Baylog says.

The glass block ceiling tiles then were placed on top of that.

The tiles are prefabricated and come in panels of eight tiles used to cover the area in the back which totals 300 sq. ft.

The grid also comes with the panels and is designed to look like a mortar joint rather than a grid.

"We wanted it to look like we spent a lot of money on a glass block ceiling," explains Baylog about the various tricks that were used in construction of the lighting fixture.

One key difference between real glass block and the Accessory Lady version is the width of the panel. The chain's version is plastic and the panels are 1 in. thick instead of 3 in. like real glass block.

Baylog says that the glass block-look ceiling is one-third the cost of the real thing.

The same glass block-look technique was used for the walls of the Accessory Lady stores.

More contemporary: In an inverted application, the glass block ceiling tiles were placed on areas built out from the walls up and down the sides of the long narrow stores.

"This technique coordinates the material in the store and creates interest," Baylog says. "It lightens up

Cost per square foot for ceilings

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than $.50	10	—	—	—	—	—
$0.50-$1.00	40	33.3	25.0	—	25	20
$1.01-$2.50	40	50.0	62.5	50	50	60
$2.51-$5.00	—	—	12.5	—	—	20
More than $5.00	—	16.7	—	50	—	—
Don't know/no answer	10	—	—	—	25	—

Source: *Chain Store Age Executive* research

Lifespan for ceilings

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
5 years or less	—	—	—	—	—	—
6-10 years	33.3	42.8	33.3	33.3	33.3	66.6
11-15 years	10.0	28.6	22.2	33.3	33.3	—
16-20 years	33.3	28.6	33.3	33.3	33.3	33.3
21-29 years	—	—	—	—	—	—
30 years or more	—	—	—	—	—	—
Lifetime/permanent/ don't replace	—	—	11.1	33.3	—	—
Don't know/can't estimate	24.0	—	—	—	—	—

Source: *Chain Store Age Executive* research

Types of ceilings used

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
12x12 concealed spline	—	—	10.0	66.6	25	10
2x4 lay-in panels	100.0	100.0	100.0	66.6	100	75
2x2 lay-in panels	33.3	42.9	63.6	100.0	25	50
Tegular 2x4 lay-in panels	—	20.0	—	33.3	—	25
Tegular 2x3 lay-in panels	—	—	—	—	—	—
Plaster	—	—	27.3	66.6	25	25
Acoustical	40.0	14.3	45.5	33.3	—	15
Other	20.0	14.3	—	33.3	25	—
Don't know/no answer	—	—	10.0	—	—	—

Source: *Chain Store Age Executive* research

and made the store more contemporary, gave them a less serious feel."

The inlaid panels on the side of the store were created out of a ribbed glass block tile covered with stipples. Stipples are a wavy style similar to the glass that old Coke bottles are made of.

Baylog says she chose this style because it has a more high class look than Integrated Ceilings' other styles.

The main ceiling that runs throughout the Accessory Lady stores is an acoustical product called Second Look from USG.

This product is pre-painted and prefinished to fit in with the other ceiling patterns.

This portion of the ceiling was dropped down over the cash and showcase areas to attract attention to the station and to be decorative.

Over this area the ceiling also has a wood crown molding decorative trim, an element present throughout the store.

Incandescent lighting is recessed to provide lighting without appearing too functional.

"The idea was to break up the space of a long and narrow store, bring attention to showcases and bring light down to acceptable level," Baylog says.

Accessory Lady's ceilings are at 12 ft., which is not appropriate for cash registers. The decorative ceilings brought the height to 8 ft.

Most Accessory Lady stores are approximately 80 ft. long by about 25 ft. wide.

The third type of lighting created by Melville was a baffling effect running along the perimeter of the store with a Magna band.

Baylog then placed lights above this design to illuminate the side walls.

"This technique creates a decorative image for the ceiling and separates it from the walls," Baylog says.

The remodeling of one Accessory Lady store takes approximately three to four months. The back portion of the store required most of the time of the project. ■

TOTAL-SYSTEM REVAMP IS BEST

PATCH UPS ARE COSTLY

Heilig Meyers' approach to revamping its HVAC systems is that sometimes it is better to replace all components than to patch up part of an existing configuration.

The Richmond, Va.-based consumer electronics and furniture store has adopted the policy because it has found that often a new unit in an old configuration simply does not work.

"Sometimes a small component can cause a large unit to fail. For example, a new compressor could cause other parts to go bad because the new compressor would put pressure on the rest of the system," says Stanley Prince, assistant vp of corporate expansion in charge of construction.

In addition, Prince says, the difference between the price of one major piece of equipment and an entirely new system can be negligible.

Prince says that replacing a compressor sometimes costs nearly as much as replacing an entire unit. If the other components are old, it makes more sense.

"You have to look at the short term picture as well as the long-term picture," he says.

The warranty available on a package usually will be substantially better than what a store will get on a single unit.

For example, the warranty that comes with the purchase of a compressor could last for only one year, but if the equipment is purchased in conjunction with a condensing unit, the two together may be covered for five years.

The chain typically renovates when it first purchases a store or leases a business or a building. At that point it evaluates the condition of the equipment.

Prince says that he works primarily with York, Pa.-based York International. He finds it advantageous to buy consistently from one vendor because he can better anticipate his costs.

Cost per square foot for HVAC

	Discount %	Drug %	Supermarket %	Department %	Home Center %	Apparel Specialty %
Less than $.10	—	—	—	—	—	—
$0.10-$0.14	—	—	—	—	5.0	—
$0.15-$0.25	—	—	—	—	—	—
$0.26-$0.50	—	—	—	—	—	—
$0.51-$0.75	20	—	—	10	20.0	—
$0.76-$1.00	—	—	37.5	—	15.0	—
$1.01-$2.00	40	25	37.5	40	20.0	40
More than $2.00	10	75	25.0	40	40.0	20
All other mentions	—	—	—	—	—	—
Don't know/no answer	30	—	—	10	—	40

Source: *Chain Store Age Executive research*

The quality level at York also sold Heilig on its machines. Prince says that York still uses some of the traditional types of manufacturing that he prefers.

Old fashioned advantage: Some vendors use aluminum for evaporator and condensing coils in air conditioning and heat pumps, while York uses copper. Prince prefers copper because it is easier and less expensive to fix.

"Aluminum is less expensive to fabricate, but it does not last as long and is harder to fix," Prince explains.

"It is easier to solder copper than to solder aluminum, and it is difficult to find someone with the technical finesse to make repairs on aluminum. You usually have to replace the coil," he says.

He says that York provides more sophisticated controls, such as microprocessor panel boards. These controls are more reliable and energy efficient than relay equipment, Prince says.

"York has a nice balance between old and new," says Prince. "Other manufacturers have it too, but we have found that they provide a good product."

The type of equipment that Heilig buys depends on where the store is located. But the evolutionary process for all stores begins when Prince calls a contractor to ask evaluation of the current equipment's condition.

In order to decide if they should put new equipment in a store, Heilig assembles its costs and the contractor calculates prices for peripheral and labor. A typical store configuration is four pieces of equipment for an 18,000-20,000-sq.-ft. store.

This includes a five-, a seven- and a 10½-ton cooling system made up of heat pumps or gas packs (rooftop systems have gas-fired heat or an electric air conditioner).

Prince prefers to buy multiple, smaller systems, no larger than 10 tons for any one piece. The average store requires an average 35 tons of cooling.

Multiple units offer a certain amount of insurance. If a store has multiple pieces and one compressor breaks, business is not as radically affected as if there were one compressor controlling the whole store. Also, replacing or fixing a 10-ton compressor is a lot cheaper than mending a 35-ton unit.

Energy management: The other of system that Prince buys when he is revamping is a split system. To control all of its various units, Heilig Meyers has installed an energy management system that Prince claims is saving the chain 10%-15% in the 52 stores that have it. By the end of the year, 25 more stores will have the systems in place.

Each store that has an energy management system has a Honeywell Model 7505 and a modem that allows headquarters to communicate by phone from a personal computer.

W.A. Brown, a distributor and consulting firm in North Carolina, assembled all of the systems. In addition, the firm trained and supports Heilig employees. Heilig then hires a contractor to install the units along with a follow-up visit by W.A. Brown.

When the retailer ran its test program with the energy management system, the three stores showed a 15%-20% savings. Prince estimates that he recoups his investment in the average system in two years.

Heilig plans to fine-tune its installation process and then evaluate the price to determine whether or not to install the system in more stores.

"We started out with the energy hogs and are working down the list," explains Prince. "We want to refine installation costs so that we can get to as many stores as makes financial sense."

Among the things that the system does for Heilig Meyers is control temperature and energy consumption. The unit has a sensor instead of a thermostat in various zones within its stores. The system can be programmed to keep each zone at a certain temperature.

It also distributes the drain on the various HVAC machines so that all machines are not running at any one time. This is important, says Prince, because some energy companies charge retailers based on maximum usage.

"If you are using all machines at one time your demand level will be very high and could affect your costs for the entire year," explains Prince.

Central control: To modify the temperature in each store, managers are instructed to call headquarters so that adjustments may be made via the phone lines. However, if a manager wants to make a minor change in temperature, he can do that at store level.

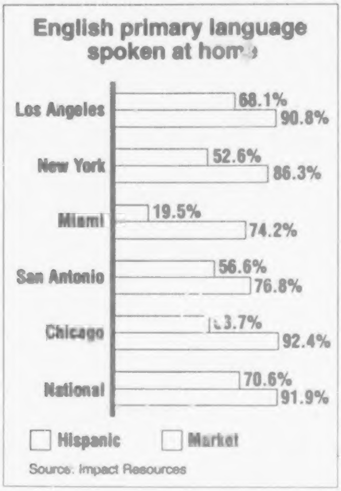
"We encourage the managers to allow us to make the changes so that we can track each store's equipment," says Prince.

Prince advises retailers to choose carefully when selecting an energy management system. He spent a year and a half evaluating the concept and choosing a system that best fits Heilig's needs.

"It is like anything else," he says. "One size doesn't fit all." ■

HISPANICS: YOUNG AND MEDIA-CONSCIOUS

MULTI-FACETED POPULATION DIFFERS BY SPECIFIC MARKETS



Source: Impact Resources

Almost 60% of Hispanic consumers are between the ages of 18 and 34, whereas only 40% of the total population falls into this group. . . . **55.5% of Hispanic** consumers have three or more persons in their household, and 45.4% of Hispanic households have persons under 18 years of age. . . . **Watching TV/cable** is the most common leisure time activity for Hispanics (64.1%). The second most popular activity is listening to music (60.4%). . . . **Renting videos** is more common among Hispanic consumers than the total population (27% vs. 20.6%). . . . **Convenience store shopping** is more frequent among Hispanics (19.5%) than the total population (13.8%). . . . **Within the next year,** Hispanic consumers are more likely than the total population to be planning the purchase of cars/trucks, TVs/VCRs, stereo equipment, a house/land and home computers. . . . **Department store preferences** are 17% fewer among Hispanics than the total population. . . . **Men are shoppers** more often in the Hispanic community. Men comprise 54.7% of Hispanic consumers, whereas the majority of the total population is female (52.4%). . . . **Average household income** for Hispanic consumers is $27,600, significantly less than that of the total population's average income of $32,100. . . . **Married Hispanic consumers** are 29% more likely than married total population consumers to have a dual income. . . . **Public transportation** is twice as likely to be used by Hispanics than the general population. . . . **Hispanic consumers** are 33% less likely than the general public to use the Sears credit card. . . . **When compared to** the total population, Hispanics are more likely to drive a car more than five years old (42.7% vs. 37.1%). . . . **58% of Miami's** Hispanic consumers are married while only 31% of New York area Hispanics are. . . . **42% of Miami** Hispanic households are dual income while less than 25% of New York's are. . . . **21.1% of Hispanic teens** are likely to be the primary grocery shopper compared to 16.4% of all teens.

*Impact Resources is a consumer information company that provides media and retail businesses in-depth local consumer information in a timely fashion. The basis of the company's product is a research methodology called MA*RT, an acronym for Market Audience-Readership Traffic.*

Hispanic shoppers: Fewer trips to the grocery

	Los Angeles		New York		Miami		San Antonio		Chicago		National	
	Hisp.	Mkt.	Hisp.	Mkt.	Hisp.	Mkt.	Hisp.	Mkt.	Hisp.	Mkt.	Hisp.	All
>once/week	14.9%	25.6%	20.8%	26.9%	11.1%	21.1%	17.3%	19.9%	13.0%	20.8%	17.7%	22.5%
once/week	46.2	44.1	38.0	39.2	44.1	39.4	39.3	40.2	37.1	42.6	39.9	43.9
2-3/week	9.2	9.2	7.0	7.9	8.4	7.3	14.2	14.3	8.2	10.5	11.8	10.3
once/mo.	2.5	2.9	2.3	3.1	3.8	3.1	7.5	6.3	3.6	3.5	4.0	3.7
<once/mo.	1.0	0.7	0.7	0.9	0.6	0.3	0.2	0.2	0.1	1.3	0.6	0.8
Never	2.3	1.8	2.2	3.0	0.7	0.5	1.1	0.9	3.4	2.8	2.2	1.8
No answer	23.9	15.7	29.0	19.0	31.3	28.3	20.4	18.2	24.6	18.2	23.8	17.0

Media habits: Average minutes spent per weekday

	Los Angeles		New York		Miami		San Antonio		Chicago		National	
	Hisp.	Mkt.	Hisp.	Mkt.	Hisp.	Mkt.	Hisp.	Mkt.	Hisp.	Mkt.	Hisp.	All
Radio	202.1	161.0	157.4	153.8	154.1	152.7	181.8	164.5	219.5	179.8	203.3	179.2
TV	171.4	162.6	170.2	172.0	165.2	179.4	217.0	204.1	195.4	195.9	195.6	183.3
Newspaper	40.8	40.8	33.8	39.2	39.5	42.9	41.6	41.9	37.7	41.7	39.9	41.5

Source Impact Resources

SALES

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney†	3,408,000	+4.0	3,408,000	+4.0
Sears, Roebuck & Co.	6,755,200	+11.9	6,755,200	+11.9
Composite	10,163,200	+9.1	10,163,000	+9.1
DEPARTMENT STORES				
Carson Pirie Scott†	209,095	+5.1	209,095	+5.1
Carter Hawley Hale*[2]	595,352	+9.0	2,162,758	+6.9
Dillard	598,065	+15.6	598,065	+15.6
Gottschalks*	43,360	+22.3	43,360	+22.3
Jacobson's	86,423	+11.2	86,423	+11.2
May†	2,575,000	+24.1	2,575,000	+24.1
Mercantile	478,563	+2.9	478,563	+2.9
Neiman-Marcus Group*[3]	342,552	+23.9	1,123,323	+18.3
Nordstrom	512,159	+18.5	512,159	+18.5
Strawbridge & Clothier	190,530	+4.2	190,530	+4.2
Composite	5,631,199	+23.5	7,979,276	+19.0
DISCOUNT STORES				
Ames*	1,112,000	+125.1	1,112,000	+125.1
Consolidated	131,609	+3.3	131,609	+3.3
Dayton Hudson	2,826,000	+11.1	2,826,000	+11.1
Hills*	397,940	+25.0	397,940	+25.0
Jamesway	263,488	+15.2	782,504	+11.6
K mart	6,068,200	+3.9	6,068,200	+3.9
Rose's	327,490	+6.2	327,490	+6.2
Wal-Mart	5,373,260	+25.5	5,373,260	+25.5
Composite	16,398,417	+17.6	16,398,417	+17.6
SHOE/SPECIALTY CHAINS				
Brown Group†	436,551	+10.2	436,551	+10.2
Genesco	104,960	+3.1	104,960	+3.1
Melville	1,529,097	+9.7	1,529,097	+9.7
U.S. Shoe	571,819	+8.4	571,819	+8.4
F. W. Woolworth	1,877,000	+9.1	1,877,000	+9.1
Composite	4,519,427	+9.1	4,519,427	+9.1
APPAREL CHAINS				
Casual Male*	19,788	+24.9	19,788	+24.9
Charming Shoppes	172,348	+14.8	172,348	+14.8
Deb Shops	41,540	+4.3	41,540	+4.3
Designs	12,166	+24.0	12,166	+24.0
Gantos	52,040	+46.5	52,040	+46.5
The Gap*	309,925	+28.4	309,925	+28.4
Paul Harris	46,938	+27.4	46,938	+27.4
The Limited	964,617	+18.9	964,617	+18.9
Merry-Go-Round	73,919	+39.2	73,919	+39.2
Petrie*	279,137	+7.0	279,137	+7.0
Composite	1,972,418	+19.2	1,972,418	+19.2
OFF-PRICE APPAREL				
Banker's Note	9,783	-3.9	9,783	-3.9
Burlington Coat[2]	135,287	+21.5	416,943	+22.6
Clothestime*	41,186	+9.0	41,186	+9.0
Dress Barn[3]	59,765	+24.1	183,564	+23.3
Ross	153,906	+18.2	153,906	+18.2
S&K	12,421	+9.8	12,421	+9.8
Syms	60,467	+3.8	60,467	+3.8
TJX	466,372	+17.6	466,372	+17.6
Composite	939,187	+16.8	1,344,642	+18.6
WAREHOUSE WHOLESALE CLUBS				
Pace Membership*	318,619	+36.4	318,619	+36.4
Warehouse Club*[2]	62,194	+10.0	136,858	+11.0
Wholesale Club	107,379	+39.1	107,379	+39.1
Composite	488,192	+32.9	562,856	+29.7

EARNINGS

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney†	148,000	+13.0	148,000	+13.0
Sears, Roebuck & Co.*	33,800	+80.7	33,800	+80.7
Composite	181,800	+21.4	181,800	+21.4
DEPARTMENT STORES				
Carson Pirie Scott†	(11,046)	n/a	(11,046)	n/a
Carter Hawley Hale*[3]	(3,235)	n/a	14,720	-11.2
Dillard	19,582	+22.2	19,582	+22.2
Gottschalks*	591	-18.5	591	-18.5
Jacobson's	2,077	+14.1	2,077	+14.1
May†	63,000	+5.0	63,000	+5.0
Mercantile	27,031	-2.6	27,031	-2.6
Neiman Marcus Group*[3]	4,699	+37.1	28,477	-4.2
Nordstrom	22,973	+19.6	22,973	+19.6
Strawbridge & Clothier	1,599	-25.7	1,599	-25.7
Composite	127,231	+4.7	168,964	+0.1
DISCOUNT STORES				
Ames*	(19,036)	n/a	(19,036)	n/a
Consolidated	(1,087)	n/a	(1,087)	n/a
Dayton Hudson	40,000	+29.0	40,000	+29.0
Hills*	(16,390)	n/a	(16,390)	n/a
Jamesway	(1,139)	n/a	(1,139)	n/a
K mart	94,100	-22.1	94,100	-22.1
Rose's	4,627	-28.4	4,627	-28.4
Wal-Mart	198,289	+29.1	198,289	+29.1
Composite	299,364	-3.5	299,364	-3.5
SHOE/SPECIALTY CHAINS				
Brown Group†	7,314	-15.0	7,314	-15.0
Genesco	(154)	n/a	(154)	n/a
Melville	24,230	+7.9	24,230	+7.9
U.S. Shoe	7,693	+148.6	7,693	+148.6
F. W. Woolworth	36,000	+2.9	36,000	+2.9
Composite	75,083	+12.2	75,083	+12.2
APPAREL CHAINS				
Casual Male*	(1,380)	n/a	(1,380)	n/a
Charming Shoppes	6,895	+100.7	6,895	+100.7
Deb Shops	871	+4.1	871	+4.1
Designs	(1,120)	n/a	(1,120)	n/a
Gantos	865	+313.9	86[illegible]	+313.9
The Gap*	15,053	+78.9	15,053	+78.9
Paul Harris	(634)	n/a	(634)	n/a
The Limited	45,189	+89.4	45,189	+89.4
Merry-Go-Round	1,667	+281.5	1,667	+281.5
Petrie*	7,211	+10.4	7,211	+10.4
Composite	74,617	+53.3	74,617	+53.3
OFF-PRICE APPAREL				
Banker's Note	185	-47.9	185	-47.9
Burlington Coat[2]	2,434	-0.4	23,954	+16.0
Clothestime*	82	n/a	82	n/a
Dress Barn[3]	3,718	+22.9	13,660	+21.6
Ross	3,404	+1552.4	3,404	+1552.4
S&K	387	+6.3	387	+6.3
Syms	2,390	-3.7	2,390	-3.7
TJX	18,529	+2.8	18,259	+2.8
Composite	31,129	+22.5	62,591	+20.8
WAREHOUSE WHOLESALE CLUBS				
Pace Membership*	1,030	+182.2	1,030	+182.2
Warehouse Club*[2]	(121)	n/a	405	n/a
Wholesale Club	(220)	n/a	(220)	n/a
Composite	689	n/a	1,215	+664.2

N/A not applicable because of loss in either current or comparable period

*before extraordinary items or changes in accounting principles

†continuing operations only

[2] second quarter figures

[3] third quarter figures

[4] fourth quarter figures

Source Company reports

SALES

HARD LINES CHAINS

	1st qtr. (000 omitted)	% change	YTD (C00 omitted)	% change
Best Buy[4]	105,762	– 0.8	506,674	+ 15.4
Blockbuster Ent.	64,570	+200.9	64,570	+200.9
Child World	131,653	+ 10.1	131,653	+ 10.1
Claire's	34,329	+ 52.2	34,329	+ 52.2
Fabri-Centers	74,138	+ 15.7	74,138	+ 15.7
Fretters*	48,459	– 0.9	48,459	– 0.9
General Nutrition*	88,956	+ 7.2	88,956	+ 7.2
Highland Superstores	196,549	+ 8.2	196,549	+ 8.2
House of Fabrics	79,468	+ 6.0	79,468	+ 6.0
Lionel	61,251	+ 18.7	61,251	+ 18.7
Michaels	56,224	+ 27.6	56,224	+ 27.6
Office Depot*	63,510	+191.9	63,510	+191.[illegible]
Office Club	29,333	+288.9	29,333	+288.9
Oshman's*†	60,355	+ 7.4	60,355	+ 7.4
Pep Boys—M,M,J	178,327	+ 21.4	178,327	+ 21.4
Pier 1 Imports[4]	111,695	+ 30.8	414,646	+ 26.7
Tandy[3]	943,685	+ 12.5	3,283,299	+ 10.2
Toys "R" Us	767,661	+ 18.6	767,661	+ 18.6
Williams-Sonoma	42,063	+ 21.3	42,063	+ 21.3
Composite	3,137,988	+ 18.1	6,181,465	+ 15.1

SUPERMARKETS

	1st qtr. (000 omitted)	% change	YTD (C00 omitted)	% change
Albertsons	1,813,162	+ 16.6	1,813,162	+ 16.6
American	5,213,166	+ 44.8	5,213,166	+ 44.8
Big B*	105,630	+ 50.5	105,630	+ 50.5
Giant Food	724,479	+ 10.0	724,479	+ 10.0
Hannaford Bros.*	348,025	+ 26.4	348,025	+ 26.4
Kroger	4,490,776	+ 4.1	4,490,776	+ 4.1
Marsh[4]	206,969	+ 0.6	894,919	+ 5.5
Nash Finch	486,845	+ 9.0	486,845	+ 9.0
Quality Food Centers	59,111	+ 22.7	59,111	+ 22.7
Village Super Mkts.[3]	162,640	+ 7.4	476,524	+ 8.9
Vons	1,181,400	+ 63.4	1,181,400	+ 63.4
Weis Markets	301,503	+ 6.5	301,503	+ 6.5
Winn-Dixie[3]	2,186,911	+ 5.6	6,998,097	+ 2.9
Composite	17,886,399	+ 19.5	23,699,419	+ 14.9

DRUG STORES

	1st qtr. (000 omitted)	% change	YTD (C00 omitted)	% change
Arbor[3]	73,747	+ 19.2	222,183	+ 21.7
Drug Emporium[4]	112,689	+ 16.8	406,728	+ 26.2
Fay's	131,108	+ 7.1	131,108	+ 7.1
Genovese	113,350	+ 14.3	113,350	+ 14.3
Longs	492,815	+ 9.5	492,815	+ 9.5
Perry*[2]†	159,269	+ 0.5	343,573	+ 2.9
Walgreen[2]	1,476,682	+ 9.3	2,688,356	+ 9.0
Composite	2,559,660	+ 9.4	4,398,113	+ 10.6

HOME CENTERS

	1st qtr. (000 omitted)	% change	YTD (C00 omitted)	% change
Grossman	219,575	+ 7.6	219,575	+ 7.6
Hechinger*	274,870	+ 15.1	274,870	+ 15.1
Home Depot	641,521	+ 43.6	641,521	+ 43.6
Lowe's	602,100	+ 1.9	602,100	+ 1.9
Wolohan Lumber	48,950	+ 15.6	48,950	+ 15.6
Composite	1,787,016	+ 17.4	1,787,016	+ 17.4

SHOPPING CENTER DEVELOPERS

	1st qtr. (000 omitted)	% change	YTD (C00 omitted)	% change
Federal Realty	20,693	+ 21.5	20,693	+ 21.5
Rouse*	113,111	– 0.1	113,111	– 0.1
Vornado	20,191	+ 25.7	20,191	+ 25.7
Weingarten	14,553	+ 6.1	14,553	+ 6.1
Composite	168,548	+ 4.6	168,548	+ 4.6

EARNINGS

HARD LINES CHAINS

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
Best Buy[4]	(2,358)	n/a	2,060	– 25.6
Blockbuster Ent.	6,495	+197.7	6,495	+197.7
Child World	(5,139)	n/a	(5,139)	n/a
Claire's	1,907	n/a	1,907	n/a
Fabri-Centers	524	+948.0	524	+948.0
Fretters*	151	n/a	151	n/a
General Nutrition*	6,064	+ 88.4	6,064	+ 88.4
Highland Superstores	(8,518)	n/a	(8,518)	n/a
House of Fabrics	1,339	+ 49.5	1,339	+ 49.5
Lionel	(3,596)	n/a	(3,596)	n/a
Michaels	408	+ 50.0	408	+ 50.0
Office Depot*	1,544	+217.7	1,544	+217.7
Office Club	(201)	n/a	(201)	n/a
Oshman's*†	(1,637)	n/a	(1,637)	n/a
Pep Boys—M,M,J*	7,626	+ 21.4	7,626	+ 21.4
Pier 1 Imports[4]	4,882	+ 65.3	21,850	+ 35.9
Tandy[3]	66,680	+ 4.0	266,639	+ 2.9
Toys "R" Us	27,149	+ 20.6	27,149	+ 20.6
Williams-Sonoma	288	+569.8	288	+569.8
Composite	103,608	+ 21.3	324,953	+ 9.2

SUPERMARKETS

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
Albertsons	44,391	+ 25.2	44,391	+ 25.2
American	21,515	– 20.5	21,515	– 20.5
Big B*	2,254	+ 1.3	2,254	– 1.3
Giant Food	26,525	+ 29.3	26,525	+ 29.3
Hannaford Bros.*	8,577	+ 19.1	8,577	+ 19.1
Kroger	(18,971)	n/a	(18,971)	n/a
Marsh[4]	1,599	+ 29.3	8,518	+ 8.9
Nash Finch	1,803	– 45.7	1,803	– 45.7
Quality Food Centers	1,979	+ 61.6	1,979	+ 61.6
Village Super Mkts.[3]	866	– 12.4	3,769	– 6.9
Vons	(13,400)	n/a	(13,400)	n/a
Weis Markets	20,399	+ 7.1	20,399	+ 7.1
Winn-Dixie[3]	– 37,435	+ 30.6	92,219	+ 28.5
Composite	135,082	– 26.6	199,688	– 15.7

DRUG STORES

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
Arbor[3]	1,965	+ 50.2	6,694	+ 35.8
Drug Emporium[4]	3,091	+ 73.4	7.981	+ 76.0
Fay's	1,355	+ 47.9	1,355	+ 47.9
Genovese	1,119	– 2.7	1,119	- 2.7
Longs	14,432	+ 8.7	14,432	+ 8.7
Perry*[2]†	722	+220.9	4,930	+136.3
Walgreen[2]	57,301	+ 20.6	82,027	+ 23.7
Composite	79,985	+ 20.9	118,538	+ 27.2

HOME CENTERS

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
Grossman	(7,442)	n/a	(7,442)	n/a
Hechinger*	7,303	– 17.3	7,303	– 17.3
Home Depot	25,928	+ 34.7	25,928	+ 34.7
Lowe's	14,600	– 3.3	14,600	– 3.3
Wolohan Lumber	854	+ 5.3	854	+ 5.3
Composite	41,243	+ 18.4	41,243	+ 18.4

SHOPPING CENTER DEVELOPERS

	1st qtr. (000 omitted)	% change	YTD (000 omitted)	% change
Federal Realty	1,393	– 37.4	1,393	– 37.4
Rouse*	1,847	– 77.1	1,847	– 77.1
Vornado	1,735	– 39.1	1,735	– 39.1
Weingarten	4,229	– 57.2	4,229	– 57.2
Composite	9,204	– 60.0	9,204	– 60.0

N/A not applicable because of loss in either current or comparable period
*before extraordinary items or changes in accounting principles
†continuing operations only
[2] second quarter figures
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Source: Company reports

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DISCOUNT STORE SLUMP CONTINUES

Most retailers continued their less-than-the-rise-of-inflation sales performance in May. Though there were notable exceptions, the majority, including most of the discount store industry, underperformed again.

K mart executives disclaim any impact from the everyday low pricing program at Sears. The discounter's sales slump began before Sears initiated its new program in March and has continued even as the sales momentum at Sears has seemingly dissipated. In May Sears managed just a 3.1% same-store sales increase.

Wal-Mart continued to defy the discount industry norm. It pulled in a double-digit same-store sales boost. But Target attained just a 4% increase, while Caldor was up 3.1%, Hills ahead 2.2%, Ames 0.4%, while Venture dipped 2.8%.

Specialty stores turned in the most above-par sales records, though the performances at The Limited and The Gap trailed their year-to-date results.

The most notable achievement came from Claire's Stores, which produced a whopping 56% increase in same store sales. The accessories chain has been on a roll for 10 months and, though it was comparing sales to a weak period a year ago, its sales gain has been startling. Claire's also was aided by an overall strong market for accessories.

Department stores registered mixed results. May Co.'s department stores had an 8.3% same-store sales increase, just ahead of Dayton Hudson's 8%. Carter Hawley Hale beat inflation at 6.4%, but Gottschalks, at 3.8%, and Mercantile, at 0.9%, did not. Specialty department store Neiman-Marcus Group had a 12.4% hike.

Company	May '89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,502,480	+ 5.3	+ 3.1	$10,117,676	- 9.7	+ 6.6
Penney	1,095,000	+ 2.1	0.3	4,436,000	+ 4.5	+ 1.9
Ward	357,569	+ 3.5	+ 3.0	1,374,434	+ 7.0	+ 6.1
Woolworth	625,000	+ 7.7	+ 4.0	2,501,000	+ 7.8	+ 3.7
Melville	536,500	+ 13.5	n/r	2,572,500	- 12.8	n/r
K mart	2,193,078	+ 2.5	0.6	8,263,284	- 3.5	n/c
Wal-Mart	2,033,000	+ 25.0	+ 11.0	7,406,000	- 25.4	+ 11.0
Dayton Hudson	940,000	+ 16.0	+ 6.1	3,700,000	- 12.5	+ 5.5
Ames	390,000	+ 120.3	+ 0.4	1,500,000	- 123.5	+ 0.5
Hills	142,322	+ 30.6	+ 2.2	539,800	- 26.4	+ 3.0
Rose's						
Dollar General	46,400	+ 1.3	+ 1.5	171,600	- 3.1	+ 3.7
Jamesway						
May	889,600	- 7.0	+ 5.0	3,464,000	- 19.2	+ 5.5
Carter Hawley Hale	192,900	- 7.3	+ 6.4	2,355,700	- 7.0	+ 6.0
Gottschalks	11,900	- 16.7	+ 3.8	55,300	- 21.3	n/r
Mercantile	161,944	- 1.8	+ 0.9	645,331	- 2.7	+ 2.0
Neiman-Marcus Group	108,900	- 22.6	+ 12.4	n/r	n/r	n/r
The Limited	310,700	- 8.9	+ 11.0	1,275,000	- 16.3	+ 13.0
The Gap	109,000	- 26.7	+ 15.0	419,000	- 28.1	+ 18.0
Ross	56,000	- 19.1	+ 12.0	212,000	- 18.4	+ 11.0
Circuit City	151,900	- 25.5	+ 3.0	408,800	- 25.4	+ 5.0
Claire's	11,930	- 78.6	+ 56.0	46,210	- 58.0	+ 38.0
Best Buy						
Walgreen	454,257	+ 12.4	+ 11.8	2,199,225	- 10.5	+ 9.4

N/R — not reported
N/C — no change

Source: Company reports

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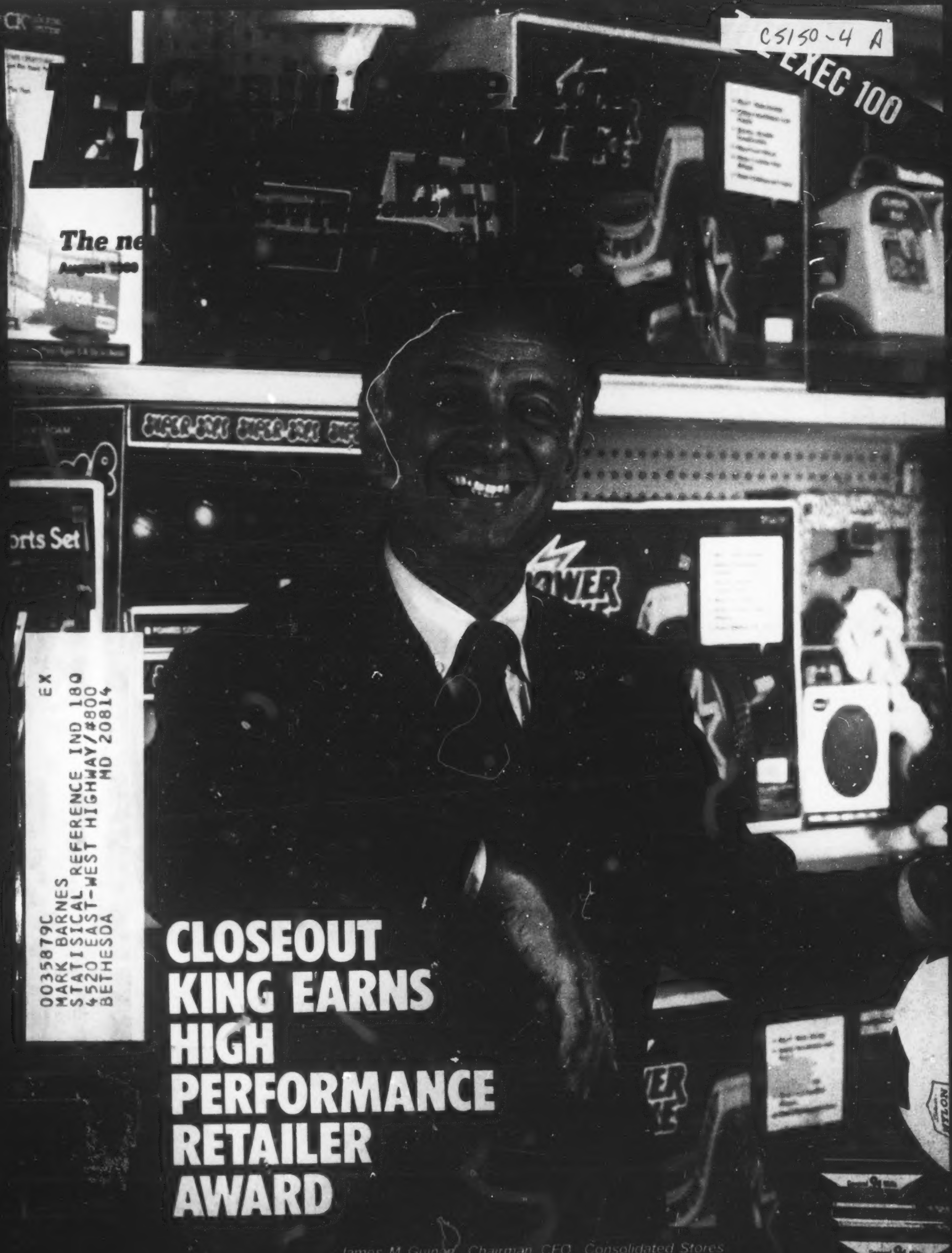

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CLOSEOUT KING EARNS HIGH PERFORMANCE RETAILER AWARD

James M. Guinan, Chairman, CEO, Consolidated Stores

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HIGH PERFORMANCE RETAILERS

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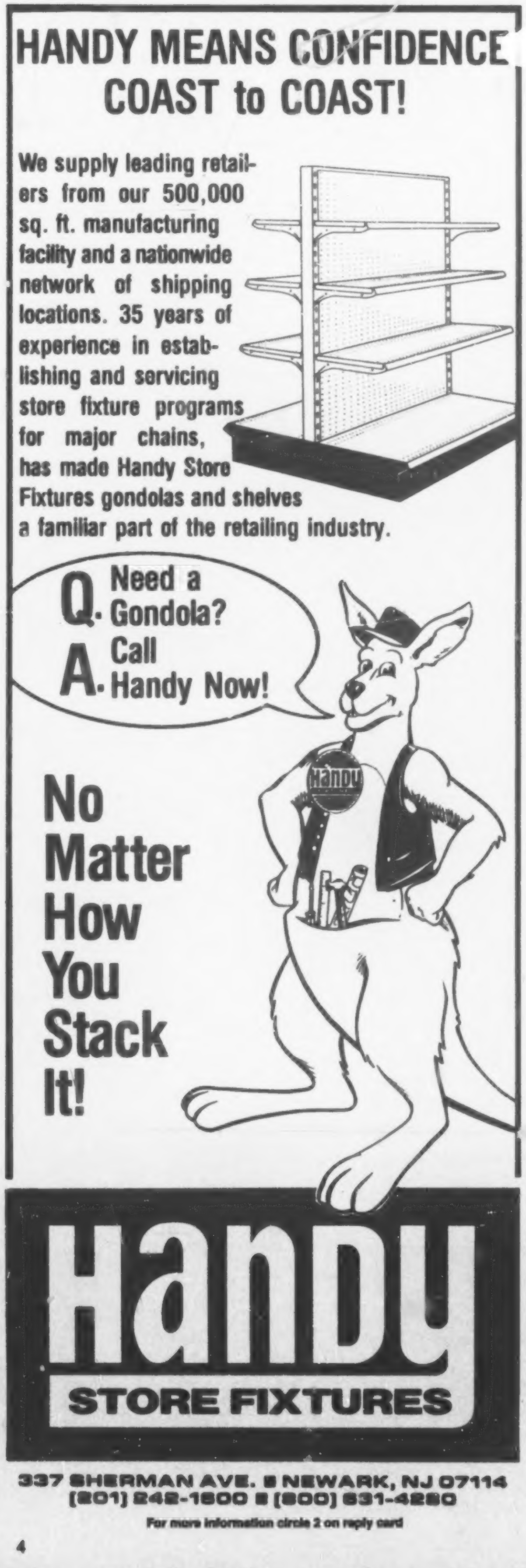

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COVER STORY

HIGH PERFORMA

NCE RETAILERS

Consolidated Stores in fast forward Gearing up for greater growth

Consolidated Stores, an operator of 308 closeout merchandise stores in 13 Midwest and Southern states, is the champion High Performance Retailer for 1988, according to an exclusive *Chain Store Age Executive*/Management Horizons analysis of all publicly traded U.S. retailers.

The designation of the Columbus, Ohio-based chain recognizes achievements for above-average compound annual revenues and profits, plus an average of its annual returns on total assets during the 1983-88 period *(see box)*.

Consolidated emerged as the leader among companies that have maintained above median results.

Thirty-three U.S. companies qualified as High Performance Retailers based on their 1983-88 results.

But only 19 companies further qualified as "stayers," retailers that attained high performance status for the three prior study periods, 1983-87, 1982-86 and 1981-85. It is from this group that Consolidated captured the trophy.

Sustained performance above the median makes the High Performance Retailer awards a more meaningful evaluation of a company's health than a one-year snapshot.

In earning this year's top honor, Consolidated Stores handily beat out even the most widely respected retail entities such as Wal-Mart, The Limited, Price Co. and Toys "R" Us *(see chart)*.

It posted the best sales and profit indexes from among all "stayer" companies, though its return-on-assets index ranked 13th.

(On a one-study-period basis, however, the top High Performance Retailer crown goes to Trans World Music Corp. of Albany, N.Y.)

When told of Consolidated's achievement, James M. Guinan, chairman/ceo, hardly seemed astonished.

"The award is not surprising. Previous management did a great job," said Guinan, who joined Consolidated in November 1987 as senior executive vp and president of the retail division. Guinan assumed his present duties earlier this year when founder Sol A. Shenk retired.

Indeed, Sol Shenk and his family did an extraordinary job. Not only did they correctly see and seize the opportunity to transform their wholesale closeout business into a retail dynamo, but they also recognized the need to bring in professional management once the chain became too large for their skills.

In 1983, Consolidated Stores was predominantly a wholesaler. Eighty-two percent of total revenues of $20.8 million came from its wholesale operation. Just $3.7 million came from the nine stores opened at year's end.

The company rang up profits from continuing operations of $1.74 million. Return on assets were 4.3%.

Sweet years: Six furious growth years later, Consolidated operated 308 Odd Lots and Big Lots stores at the end of the fiscal year. (They are not related to Odd Lots Trading, the ill-fated Revco Drug Store operation. Consolidated has the rights to the Odd Lots name only within a 75-mile radius of Columbus.)

The stores churned out $601 million in sales, while wholesaling's volume rose to just $25.5 million. Corporate profits chimed in at $22.6 million; ROA at 7.9%.

Consolidated became the leading player in the closeout retail field [illegible]6% larger than Pic 'n' Save of Carson, Calif., which, coincidentally, made an unsuccessful overture to acquire Consolidated.

Not every year was sweet for Consolidated. Profits fell by one third in 1987 from the year before when growth outstripped management's

AWARD METHODOLOGY

High Performance Retailers, as defined by *Chain Store Age Executive* and Management Horizons, produced sustained above median results in three key criteria—compound annual revenue growth, compound annual profit growth and the average after-tax profit return on total assets for each year in the six years of the study, 1983-88.

The median performance for all public U.S. companies was assigned an index value. Return on assets, assigned an index value of 100, was weighted at twice the level of sales growth and profit growth, both of which had individual index values of 50.

Each company's performance was then indexed to the median. For example, if the median return on assets for all public retailers was 5.4%, and a company had an average ROA of 11.6%, the company would have an ROA index of 215 (11.6 ÷ 5.4 = 2.15 x 100 = 215).

The composite index is the sum of the three individual indices.

The medians for the 1983-88 study period were:

- Revenues growth: 14.95%
- Profit growth: 13.73%
- ROA: 5.58%

Profit growth is based on after-tax profits from continuing operations before extraordinary items.

ability to cope.

That is why Guinan came on board. The 57-year-old is an operations systems-driven executive who has a deep and wide range of experience picked up with equal finesse from department stores and discount stores.

He has been, in order, president of Federated's former Milwaukee-based Boston Stores, chairman of Gold Circle, Federated's defunct discount chain headquartered outside of Columbus, president of Bloomingdale's, and chairman of Caldor when the Norwalk, Conn.-based chain was part of Associated Dry Goods.

Guinan inherited a crew of savvy buyers who knew how to acquire merchandise. But the company lacked sophisticated systems to distribute the goods to a burgeoning store base and to deal with a labor explosion. Consolidated has more than 11,000 employees, a far cry from the 160 of a few years ago.

To help steward the company's growth, Guinan has recruited a cadre of discount store pros who, while learning the ins and outs of closeout buying, are instilling discipline into the operation.

Guinan brought in John W. Little as executive vp-merchandising and sales promotion to head up the buying organization. Little formerly was with Rose's, and before that with Target.

David Lynn, formerly with Caldor, is vp-physical distribution/transportation. Herb Daniels brings experience at Child World and Venture to his task as vp-store operations.

Kent Larsson joined Consolidated as vp-sales promotion after working for McCrory Stores. And M. Steven Bromet came over as vp-MIS from Waldenbooks.

Discount store practices: Together, the executive crew has fashioned an evolving strategic plan that calls for moderately aggressive objectives through 1991.

It hopes to increase sales to the $1 billion mark and expand its store base to 425 locations, primarily east of the Mississippi.

Name Brands for LESS!
ST!

Guinan hopes to increase sales to $1 billion by 1991

Despite a modest 3%-5% same store sales increase per year, it expects to bring in pre-tax profits of 11% and a pre-tax return on invested capital of 30% (they were 5.9% and 24.5%, respectively, last year).

Consolidated's goal is to bring gross margins up to 43% from 40.4% and to drop selling and administrative expenses to 32% from 33.7%.

While Consolidated will not abandon its closeout marketing concept, the chain is incorporating some traditional discounter practices. It is trying to beef up the softlines portion of the mix from 16% to 20%.

It has established a "never out" category of merchandise that includes staples such as toothpaste, lightbulbs and trash bags. These traffic building products will comprise 20% of the mix.

Half of the mix will be basic household necessities such as glassware and apparel, while 30% will be specialty purchases such as sporting goods and electronics. Consolidated also is implementing more structured seasonal programs such as Back-to-School and Easter.

While the vagaries of closeout buying do not permit planogramming, Consolidated is tightening its store operations by developing consistent layouts, merchandise departments, category adjacencies, presentation and fixturing.

Consolidated is wringing expense dollars from distribution improvements. Transportation and distribution costs came in $11 million lower than a year ago and more reductions are expected. A new fluid loading system will increase distribution center productivity from 115,000 cases a day to over 185,000 cases.

To facilitate greater expansion in the South, a new $20 million, 460,000-sq.-ft. distribution center will be added by early 1991 in western South Carolina. Consolidated projects a payback in less than four years.

Though much of the company's growth is expected to come in the South, Consolidated plans to have stores in western New York, northern Florida and the Chicago/southern Wisconsin areas by 1991.

Since it emphasizes stores of 18,000-20,000 sq. ft. of selling area (28,000 gross), Consolidated feels it will be able to take advantage of closeout leasing opportunities in many strip centers where standard sized supermarkets are closing because of superstore replacements or competition.

On average Consolidated is paying the same per square foot rent as it did five years ago. It is signing three year leases with two five-year options, says Guinan.

After a tumultuous 1987, Consolidated scaled back its store expansion program. Its net gain of 13 stores last year was the lowest since it began in retailing in 1983.

During its heyday growth years of 1985, 1986 and 1987 it expanded by 61, 104 and 76 stores, respectively. With more confidence and systems in place to manage the future, Consolidated is planning more aggressively. It is forecasting about 30 net new openings per year through 1990. ■

—Murray Forseter

THE POWER ELITE OF RETAILING

Company	Compound revenue growth	Revenue growth index	Compound profit growth	Profit growth index	ROA	ROA index	Retail performance index
Total Retailing Median	14.95%	50	13.73%	50	5.58%	100	200
Trans World Music Corp.	61.15%	205	107.08%	390	22.91%	411	1,005
Consolidated Stores*	97.46	326	67.02	244	8.77	157	727
Computer Factory	80.42	269	93.96	342	5.71	102	713
Lands' End	29.87	100	20.98	76	20.17	487	663
Dress Barn*	36.32	121	56.71	207	17.48	313	641
Best Buy	77.81	260	48.63	177	6.21	111	549
Spec's Music	19.71	66	80.78	294	9.48	170	530
Price Co.*	45.26	151	45.10	164	10.55	189	505
Home Depot*	50.83	170	49.55	180	7.47	134	484
Circuit City*	37.00	124	42.06	153	10.62	190	467
The Limited*	30.25	101	28.15	103	14.54	261	464
Claire's	28.70	96	16.55	60	17.08	306	462
Wal-Mart*	34.61	116	33.66	123	11.87	213	451
Inmac Corp.	32.85	110	39.23	143	9.88	177	430
Charming Shoppes*	24.83	83	17.07	62	14.64	262	408
The Gap*	21.11	71	28.00	102	12.88	231	403
Food Lion*	26.62	89	32.35	118	10.57	189	396
Arbor Drugs*	27.40	92	36.29	132	9.17	164	388
Good Guys*	29.53	99	31.21	114	9.14	164	376
J. Baker	25.91	87	30.84	112	9.42	169	368
Wolohan Lumber	17.84	60	52.78	192	6.42	115	367
TJX Cos.	21.97	73	27.15	99	10.63	190	363
Toys "R" Us*	24.71	83	23.76	87	10.29	184	353
Quality Food Centers	15.26	51	32.55	119	8.86	159	328
Pier 1 Imports	23.00	77	32.61	119	7.12	128	323
Bruno's*	25.26	84	20.77	76	8.92	160	320
Hechinger*	26.85	90	24.62	90	7.39	132	312
Gantos	26.28	88	24.91	91	7.36	132	311
Ames*	39.45	132	18.89	69	5.66	102	302
Nordstrom*	24.81	83	25.11	91	6.88	123	298
Pep Boys—Manny, Moe & Jack*	16.51	55	22.21	81	8.29	149	285
Hannaford Bros.	14.95	50	24.59	90	6.90	124	263
Big B*	18.32	61	15.76	57	6.53	117	236

* Denotes "stayer" companies

Source: *Chain Store Age Executive*/Management Horizons

TRANS WORLD MUSIC HITS HIGH NOTE

Consolidated Stores may have copped top honors as the High Performance Retailer with the most staying power, but on a one-year basis, the leading retailer turned out to be Trans World Music Corp.

The Albany, N.Y.-based company is one of a handful of retailers that have ridden the consumer electronics wave into the High Performance stratosphere. Other companies include Computer Factory, Best Buy and Spec's Music.

Trans World had 437 stores at fiscal year's end operating under different nameplates including Record Town, Tape World, Coconuts, Great American Music and Good Vibrations. Trans World's sales growth ranked fourth among all 33 High Performance Retailers. It came in first for profit growth and second in ROA index.

TUMULTUOUS TIMES ROCK EXEC 100

MARSHALL FIELD AND SAKS MAY BE LATEST AFFECTED BY FINANCIAL CLIMATE

Tumult continued during the last year to toss retailers around like a ship in a tempest. Retailing's rough seas are nothing new, but the depth of the upheaval, given today's financial climate, has even the largest retailers quaking.

Within the last year Sears and K mart both have had their names tossed about as potential takeover targets. In earlier years, the very size of the two retail leviathans would have protected them from hostile raiders.

As the successful takeover of RJR Nabisco proved, however, even the biggest companies can fall prey to the right hunter.

Sears responded to takeover rumors with a multi-pronged approach aimed at shoring up investor confidence and recharging consumer excitement (*Chain Store Age Executive*, January 1989). The Big Store went as far as putting the Sears Tower itself up for sale.

As *Chain Store Age Executive* goes to press, another Chicago landmark institution, Marshall Field, may be up for grabs.

Parent company B.A.T. Industries has been put in play by Sir James Goldsmith with a $21 billion takeover bid. Goldsmith reportedly has indicated he would sell Field's and Saks Fifth Avenue to help defer the acquisition debt.

Buyouts, mergers and acquisitions have changed the complexion of the Exec 100. Among the top 25 companies alone, nearly 1 in 5 names have changed in the last year.

Lucky Stores and Zayre Corp. are no more. American Stores bought Lucky. Zayre sold its discount stores to Ames and spun off its apparel units into TJX Cos. and its two wholesale clubs into Waban.

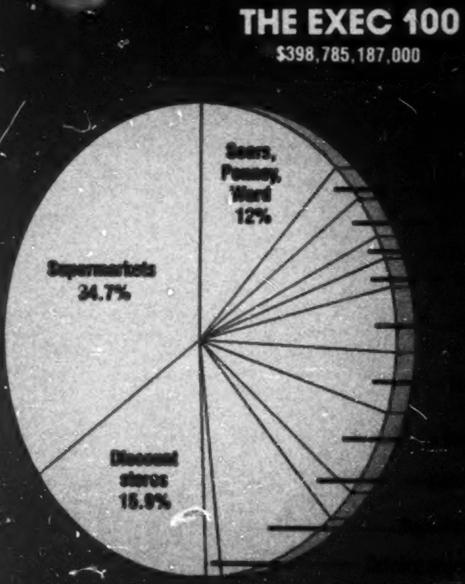
Southland's restructuring and subsequent lower sales dropped it from the top 25, while Federated remains on the list by virtue of being part of Campeau Corp.'s retail empire.

Aside from Campeau, three companies make their first appearances among the top 25. The Price Club, Toys "R" Us and The Limited parlayed sharply defined market strategies into success.

Lion's share: Overall, sales among the Exec 100 came in at $399 billion, a

Continued on page 34

Salads
Vegetables
Salad Greens
Florist



Name	1988 Sales (000)	1987 Sales (000)	1988 Profits (000)	1987 Profits (000)	# of Stores	Comments
1 Sears, Roebuck & Co.*	$30,256,000	$28,085,500	$173,300	$787,400	1649	Everyday low pricing and superstore within a store concept are the key elements to turn the chain around. Merchandising chairman Michael Bozic's emphasizing vertical accountability.
2 K mart	27,301,400	25,627,000	803,000	692,000	2307	Modernizing MIS for better inventory management. Chairman Joseph Antonini is pushing marketing, not merchandising.
3 Wal-Mart	20,649,001	15,959,255	837,221	627,643	1381	The juggernaut continues. Plans call for 155 more discount stores, more than 20 Sam's Wholesale Clubs, one hypermarket and four supercenters this year.
4 Kroger	19,050,000	17,700,000	34,500	246,600	2206	Despite substantial restructuring and divestitures, sales are up and, though drastically reduced, profits are still coming in.
5 American	18,478,354	14,272,000	98,200	154,300	1285	With acquisition of Lucky Stores, American has dramatically increased its size. It stands to be a powerhouse in California as it integrates operations with Alpha Beta.
6 J.C. Penney*	14,833,000	15,332,000	668,000	706,000	1789	Greater emphasis on upgraded soft lines has Penney poised to capture higher sales and profits. Catalog sales and profits keep booming.
7 Safeway	13,612,300	18,301,300	31,195	(78,272)	1261	Having shed several underperforming divisions, the one-time largest supermarket chain is seeing black for the first time since its LBO in 1986.
8 Dayton Hudson	12,204,000	10,677,000	287,000	228,000	618	Mervyn's rebounded with an operating income increase of 70%. Target expanding in the Southeast and the Pacific Northwest.
9 May	11,525,000	9,690,000	503,000	440,000	3091	May is giving up on its Venture and Caldor discount store divisions. And with good reason. Their operating earnings were a combined 4.6% of sales compared to 10.6% for May's department stores and 12.2% for Volume Shoe.
10 A & P	10,067,776	9,531,800	127,600	103,400	1241	The acquisition of Borman's Farmer Jack has added yet another name to the company's already impressive list of strong regional banners. Indications are that A&P's thirst for growth is far from quenched.
11 Winn-Dixie	9,007,700	8,803,900	116,700	112,300	1246	Winn-Dixie is stressing larger stores and more remodels as it attempts to retain top market shares in most of its southern markets.
12 Campeau/Federated-Allied-Ralphs	8,388,000	NC	743,000†	NC	394	Federated and Allied lost money last year but both are showing improvements in their operating cash flow. Ralphs Grocery is showing a similar pattern.
13 F.W. Woolworth	8,088,000	7,177,000	288,000	251,000	7739	Recently converted to a holding company, the retailer should not be considered a five and dime operation. Specialty stores, some 40 formats, fuel its growth.
14 Melville	6,780,359	5,930,283	354,510	285,384	6540	Marshalls is back on track and that's good news for Melville. Melville expanded Wilsons leather apparel and accessories chain by 269 stores to end the year at 489. It also is pushing Accessory Lady, going from 13 to 52 stores.
15 Albertson's	6,773,061	5,869,400	162,500	125,300	497	An emphasis on bigger stores, an expanded distribution system and a commitment to everyday low prices sparked the 19th consecutive year of record sales.
16 Supermarkets General	5,962,200	5,304,000	(58,900)	NA	268	Heavily saddled with debt since its 1987 LBO, the company is struggling to maintain its position as the leading banner in the New York market.
17 R.H. Macy	5,729,000	5,210,400	(188,160)	NA	149	Macy suffered a negative cash flow last year, but for the first nine months of the current year it has narrowed its losses from $26.7 million to $5.7 million. Paying off the LBO debt is still a struggle.
18 Walgreen	4,883,520	4,281,606	129,062	103,537	1416	Committed to aggressive expansion, the chain plans to open 100 stores this year, not counting acquisitions. Moving rapidly to install retail tech systems including chainwide satellite communications system by 1990.

NC = Not comparable
NA = Not available
† = Operating income
* = Before extraordinary items or changes in accounting principles

Source: Company reports/Chain *Store Age Executive* research

Name	1988 Sales (000)	1987 Sales (000)	1988 Profits (000)	1987 Profits (000)	# of Stores	Comments
19 Publix	$4,848,000	$4,186,600	$102,400	$ 87,200	353	A reputation for customer service makes this chain a formidable competitor in Florida, the only state where it has stores.
20 Montgomery Ward	4,747,400	4,552,600	139,000	130,000	324	Montgomery Ward beat Sears to the everyday low pricing punch. It turned in a record profit as it evolved into a series of specialty stores selling name brands under one roof.
21 Stop & Shop	4,624,000	4,343,000	(21,500)	55,700	114	Despite its LBO burden, Stop & Shop is the number one supermarket operator in New England. Bradlees discount stores building back strength and profits.
22 The Price Club	4,162,400	3,322,963	94,753	73,324	39	Opening clubs in the East has not stalled the pace of the club's sales or profits; neither has Sol Price's retirement.
23 The Limited	4,070,777	3,527,941	245,136	235,188	3381	A quarter of a century old, Limited is still the fashion leader. Emphasizing superstores of 12,000-20,000 sq. ft. for the flagship division. Revamping Lerner and expanding Limited Express.
24 Toys "R" Us	4,000,192	3,136,568	268,000	203,922	522	International expansion of toy stores has been greeted with same success as U.S. growth. Kids "R" Us division is adding 25 stores to its 112-unit base this year.
25 Vons	3,916,600	3,276,000	(23,900)	1,600	350	With the acquisition of Safeway's underperforming units in southern California, the company's future depends on how well it can absorb those stores into its operations.
26 Southland Corp.	3,820,200	7,999,300	NA	(216,200)	7414	Southland's 7-Eleven stores are adding more prepared food to compete against fast food restaurants.
27 Food Lion	3,815,400	2,953,800	112,500	85,800	567	The Salisbury, N.C. supermarketer is terrifying competitors in the South with its cookie-cutter approach to merchandising and its low price reputation.
28 Ahold USA	3,514,000	1,837,000	146,000	131,000	329	The Dutch concern considerably bolstered its U.S. holdings with the purchase of First National Supermarkets of Maple Heights, Ohio. It also owns BI-LO of Mauldin, S.C., and Giant Food Stores of Carlisle, Pa.
29 Ames	3,362,865	2,111,940	47,243	34,157	850	After burping a while in its digestion of Murphy Marts, Ames now must chew more carefully as it tries to swallow the Zayre stores it picked up late last year.
30 Tandy	3,260,688	2,987,960	316,354	242,329	7336	To bolster same store sales Radio Shack is implementing programs for store renovations, training, merchandising, advertising and sales productivity.
31 Service Merchandise	3,092,817	2,719,102	76,487	30,854	317	Getting back to catalog showrooms has revived profits. Eighteen new stores expected this year.
32 Meijer	3,000,000	2,750,000	NA	NA	52	Perhaps the first hypermarket to operate in the U.S., Meijer's has expanded from its Michigan base into Ohio.
33 Giant Food	2,987,154	2,721,000	97,900	31,000	145	Considered by many the best supermarket chain, Giant operates only in Washington, D.C., Maryland and Virginia. Known for specialty departments and service.
34 Eckerd	2,900,000	2,750,000	NA	NA	1600	Eckerd tightened grip on Atlanta market with pickup of Dunaway Drug. Increasing commitment to POS scanning and expanding EDI program with vendors.
35 Grand Union	2,872,000	2,745,000	22,100	34,100	300	Recent LBO means that another large supermarket chain must watch cash flow and its impact on market share.
36 Rite Aid*	2,868,297	2,486,319	95,210	144,553	2270	Acquisitions of 39-store Begley Co. and 114 Peoples stores strengthened Rite Aid's lead as largest drug chain. Challenge for '89 will be fighting bribery charges against president Martin Grass.

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NA = Not available
† = Operating income
* = Before extraordinary items or changes in accounting principles

Source: Company reports/*Chain Store Age Executive* research

EXEC 100

Name	1988 Sales (000)	1987 Sales (000)	1988 Profits (000)	1987 Profits (000)	# of Stores	Comments
37 Super Valu†	$2,769,019	$2,433,968	$ 73,028	$ 66,969	156	Cub Foods and ShopKo discount stores give Super Valu a strong one-two punch in the heartland. They even combined to form a new hypermarket, Twin Valu.
38 Circle K	2,656,700	2,316,800	60,400	49,400	4536	Debt-laden Phoenix company has put itself up for sale. Chairman Karl Eller is considering leading a buyout.
39 Batus†	2,643,327	2,568,636	176,958	171,211	108	Parent B.A.T. Industries PLC is object of takeover battle. Could mean divestiture of Marshall Field and Saks Fifth Avenue which had only modest profit improvement last year.
40 Carter Hawley Hale*	2,617,100	2,607,800	9,310	(115,283)	112	Placing strong emphasis on updating technology and distribution capabilities as it pays down its heavy debt from restructuring.
41 Dillard	2,558,395	2,206,347	113,829	91,223	146	D.H. Holmes in New Orleans will be latest to experience the Dillard touch of department store turnaround. Last year acquired a 50% interest in 12 Higbee stores in Ohio.
42 Lowes*	2,516,879	2,442,177	69,000	61,180	296	Building larger store prototypes that are producing higher sales and profits. Average store turned in $8.5 million in sales.
43 Revco	2,409,262	2,317,381	(88,550)	(45,632)	1886	Operating under Chapter 11 protection, Revco moving aggressively to install POS scanners and state-of-the-art Rx computer system. Closed more than 100 unprofitable stores.
44 Thrifty Corp.	2,400,000	1,843,000	66,000	49,000	230	Fifty new stores to be added on top of 110 Pay 'n Save and 37 Bi-Mart stores bought last year. Installing laser bar code scanners within next four years. Rolling out satellite communications network.
45 U.S. Shoe*	2,343,045	2,167,554	12,965	52,065	2512	Tried unsuccessfully to dump its shoe operations. Casual Corner and Ups 'N Downs need overhaul. LensCrafters is the big growth vehicle.
46 Nordstrom	2,327,946	1,920,231	123,332	92,733	58	Has set retail standard for service. Gearing up for a New York metro invasion with three stores in New Jersey and new markets in Minneapolis, Boston, Chicago and Denver.
47 H.E. Butt	2,300,000	2,079,000	NA	NA	150	Placing an increasing emphasis on one-stop shopping, including video rentals and even a dry cleaning service.
48 Mercantile	2,265,500	2,155,653	144,462	129,556	80	A strong advocate of Quick Response and EDI. Same store sales increased at just 3.9% last year versus 5.6% a year ago mainly due to remodeling activity.
49 Best Products	2,088,317	2,066,589	4,202	47,606	194	A leveraged buyout last November has management focused on reinvigorating sales through new formats.
50 Fred Meyer	2,073,544	1,847,843	36,661	32,036	112	Another U.S. version of the hypermarket that makes money. Thirteen stores added last year with new market growth zeroing in on Sacramento.
51 Home Depot	1,999,514	1,453,657	76,753	54,086	96	Northeast expansion is underway. Satellite communications system and UPC coding going chainwide this year. Store growth being restricted to 25% per annum.
52 Costco	1,988,719	1,370,031	14,450	5,086	43	Expanding offerings by adding fresh meat in more than half of its units. Twelve new units planned.
53 Bruno's	1,982,000	1,143,000	40,700	31,000	207	Keyed for growth, the company has entered into a hypermarket venture with K mart.
54 Longs	1,925,451	1,772,460	55,858	49,218	236	Key management turnover did not stop growth. First Rx warehouse opened.
55 TJX	1,920,795	1,625,300	55,100	47,300	814	A surviving entity of Zayre Corp., TJX encompasses off-pricers T.J. Maxx and Hit or Miss and mail order house Chadwick's of Boston.
56 Belk	1,905,200	1,832,000	NA	NA	340	A confederation of independent operating companies, Belk Stores share central services such as credit processing.

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***= Before extraordinary items or changes in accounting principles**

Source: Company reports/*Chain Store Age Executive* research

Name	1988 Sales (000)	1987 Sales (000)	1988 Profits (000)	1987 Profits (000)	# of Stores	Comments
57 Payless Cashways	$1,900,000	$1,770,000	NC	$ 28,100	195	LBO-related debt kept Payless Cashways in the red last year.
58 Circuit City	1,721,497	1,350,425	$69,500	50,400	125	Richmond, Va.-based company is defying the slump in consumer electronics. Rolled out stores into Miami and Tampa earlier this year.
59 Brown Group	1,706,565	1,571,955	8,283	46,853	4128	Discontinued or divested operations totalling $400 million in sales to concentrate on core businesses of footwear and specialty retailing.
60 Waban	1,700,000	1,300,000	44,800	18,700	68	Another offshoot of Zayre Corp. restructuring, Waban includes BJ's Wholesale Club and HomeClub.
61 Hills	1,670,866	1,514,329	97,653	103,535	167	Strengthened its position in Ohio and western New York with purchase of 33 former Gold Circle stores. Will test UPC scanning this year.
62 Giant Eagle	1,600,000	1,450,000	NA	NA	[illegible]	Market leader in the Pittsburgh area.
63 Dominick's Finer Foods	1,500,000	1,500,000	NA	NA	90	Moving into more non-food and H&BA as it seeks to maintain leading edge in Chicago.
64 Imasco (Peoples Drug)	1,497,585	1,398,305	(6,585)	(16,857)	829	Turnaround at U.S. division continues as chain sheds more than 300 stores to concentrate on Mid-Atlantic markets. Continues roll-out of "Boss" format.
65 Hy-Vee Food Stores	1,475,000	1,371,200	NA	NA	148	One of the top Midwest operators, Hy-Vee has opened 26 stores since 1982 and increased sales by more than 50%.
66 Rose's	1,439,279	1,336,794	16,356	18,095	250	Facing big challenge as Wal-Mart's invasion of the Southeast becomes stronger.
67 McCrory	1,391,000	1,481,000	96,300	17,200	1240	Big push underway for new format, Bargain Time closeout chain. Two hundred stores expected by 1990, most from old T.G. & Y. locations.
68 Shaw's Supermarkets	1,300,000	1,100,000	NA	NA	61	The chain, now foreign owned, is seeking to enhance its image with a new upscale private label, World Classics.
69 Hook-SupeRx	1,280,000	1,090,000	NA	NA	1028	Strong foothold in New England gained from Brooks Drug acquisition which put chain over $1 billion mark and among top five drug chains in unit count.
70 Pace Membership	1,270,535	939,560	9,421	7,677	39	Same store sales increased 16% last year as sales at wholesale prices increased to 78% from 72%.
71 Hannaford Bros.	1,261,668	1,033,400	28,900	24,100	72	The market leader in Maine is increasing its presence in upstate New York, competing head to head with Price Chopper.
72 The Gap	1,252,097	1,062,021	74,231	69,595	900	Softness in Gap store sales has been reversed with new merchandising programs. Trying to do the same at Banana Republic with a broadened merchandise mix.
73 Sherwin Williams†	1,250,000	1,157,000	69,700	82,100	1865	Sales have increased 24% since 1986 on just an 8.4% store increase.
74 Neiman Marcus Group*	1,223,162	1,145,141	15,480	(30,141)	234	New inventory aging standards introduced at Neiman Marcus last year to keep mix current. Although no stores have been added at NM since 1985, 10-12 new units are the goal by 1995.
75 Petrie*	1,218,341	1,241,554	35,082	47,543	1584	Milton Petrie shows no signs of slowing down, but his chain has yet to rebound from the sluggishness that hit the apparel market more than a year ago.
76 Furr's	1,200,000	1,000,000	NA	NA	144	Strong Texas operator is known for its efforts to appeal to Hispanic shoppers.
77 Emro Marketing	1,200,000	1,200,000	NA	NA	1088	Springfield, Ohio-based chain operates stores, all with gas stations, in 17 Southern and Midwestern states.
78 Wickes Lumber	1,200,000	1,200,000	NA	NA	210	Bought from Wickes Co. by management for $320 million last year, chain is concentrating on Midwest and New England where 60% of its volume is generated by contractor sales.

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Source: Company reports/*Chain Store Age Executive* research

Name	1988 Sales (000)	1987 Sales (000)	1988 Profits (000)	1987 Profits (000)	# of Stores	Comments
79 Penn Traffic Co.	$1,194,500	$ 634,300	($ 9,100)	$ 200	154	The company almost doubled in size with the purchase of P & C Foods of Syracuse and Big Bear Supermarkets of Columbus, Ohio.
80 Weis Markets	1,189,000	1,128,000	83,000	67,000	117	Sales only climbed 8% since 1986, but profits are up 27%.
81 Cullum Cos.	1,189,000	1,003,000	NA	NA	69	Dallas' market share leader is partners with Wal-Mart in two Hypermart*USA stores.
82 Grossman's*	1,141,602	1,077,297	13,235	19,846	246	Sold off 28-unit northern California stores as part of announced possibility of divesting whole chain.
83 Barnes & Noble/ B. Dalton	1,100,000	950,000	NA	NA	1100	About 100 fewer stores than K mart's Waldenbooks, but some $200 million more in sales.
84 Riser Foods	1,100,000	589,600	NA	NA	57	A banding together of formerly separate independents headquartered in Bedford Heights, Ohio.
85 Carson Pirie Scott	1,022,974	817,756	1,873	8,702	408	Last year on the chart for CPS as it was recently bought by P.A. Bergner.
86 Hechinger*	1,019,399	725,123	48,816	39,974	92	Made first acquisitions ever, three of them, in 1988, increasing store count by 22, biggest growth in history. Bought leases to 33 Bradlees stores in the Washington-Baltimore area. New England expansion also developing.
87 Smith's Mgmt. Corp.	1,000,000	883,000	NA	NA	88	Combo store operator based in Utah.
88 Pueblo International	1,000,000	816,000	NA	(480,000)	50	Another LBO'd company burdened by debt, Pueblo has moved beyond its Puerto Rico base to become a formidable force in Florida with its Xtra warehouse stores.
89 Stater Bros. Markets	1,000,000	890,000	NA	NA	101	Colton, Calif., company has seen steady growth since going private in 1987.
90 Schnuck Markets	1,000,000	950,000	NA	NA	59	Market share leader in St. Louis has scanners in all units.
91 Wegman's	1,000,000	950,000	NA	NA	40	Strong consumer affairs orientation makes this operator tough to beat in its home market, Rochester, N.Y.
92 Harris Teeter	1,000,000	750,000	NA	NA	123	Emphasis on clean, attractive stores promoted as "The only low price supermarket that refuses to act like one."
93 Raley's	1,000,000	920,000	NA	NA	54	Strong emphasis on non-food and upscale merchandising.
94 CFM Franchising	950,000	890,000	NA	NA	1400	Operates in 37 states. Based in Rosemont, Ill., CFM franchises 1,309 of its stores.
95 DeMoulas Market Basket	930,000	827,000	NA	NA	42	Strong regional operator based in Tewksbury, Mass. has scanners in all units.
96 Edison Bros.*	918,600	931,000	36,300	(12,200)	2347	Company evenly divided in sales between footwear and apparel divisions, but apparel's operating income of $63.4 million dwarfs that of footwear, $16.1 million.
97 National Convenience Stores	914,900	828,000	6,700	5,400	1076	Stores operate in five states (California, Florida, Texas, Georgia and Tennessee) under the Stop N Go nameplate.
98 Highland*	910,747	753,446	7,244	8,260	84	Computerized POS system installed. Affected by slowdown in electronics business as average sales per store dipped.
99 Strawbridge & Clothier	904,196	814,313	27,270	27,014	35	One of the last independent department stores, S & C produced record profits despite opening two new department stores, an apparel handling facility, the 22nd Clover discount store and closing a department store unit.
100 Woodward & Lothrop	900,500	911,200	NA	NA	32	Taken off the market when Taubman Co. failed to receive any substantial bids, Woodie's management is spending lots of time trying to bring Philadelphia's John Wanamaker stores back to glory.

NC = Not comparable
NA = Not available
† = Operating income
* = Before extraordinary items or changes in accounting principles

Source: Company reports/*Chain Store Age-Executive* research

9.6% increase for the retailers listed.

As could be expected, supermarkets captured the lion's share of sales among the elite group. Their 34.7% portion more than doubled that of full-line discount stores.

Significantly, both supermarkets and discount store chains rang up sales in greater proportion to their representation in the Exec 100.

Just 29.3% of all chains included in the Exec 100 are supermarkets. Just 9.2% are full-line discounters whose sales equaled 15.9% of the $399 billion tally.

Similarly, the Sears-Penney-Ward group, just 2.3% of the chain total, brought in 12% of the sales.

Conversely, home centers, apparel stores, hard lines specialty stores and shoe stores chipped in a lower sales amount than their chain representation in the Exec 100.

Their totals: Home centers contributed 2.7% of the sales from 6.2% of the Exec 100 companies; 4.4% of total sales came from the apparel chains' 10% share of stores; hard lines chains produced 4.1% of the sales from 8.5% of the stores; and shoe stores, which accounted for 4.6% of all chains, recorded just 2% of the sales.

Segmented sales: In apportioning the makeup of the Exec 100, *Chain Store Age Executive* segregated the divisions of retail conglomerates according to their respective formats.

For example, May Department Stores had its department stores, and their sales, listed in the department store totals. Caldor and Venture went

Top 15 hard lines chains

Company	1988 Sales (000 omitted)	Stores
1. Toys "R" Us, Rochelle Park, N.J.	$3,640,000*	410
2. Tandy, Ft. Worth	3,290,000	7,336
3. Circuit City, Richmond, Va.	1,721,497	125
4. Sherwin Williams, Cleveland	1,250,000	1,805
5. Western Auto, Kansas City, Mo.	1,107,000*	424
6. Barnes & Noble/B. Dalton, N.Y.C.	1,100,000*	1,100
7. Waldenbooks, Stamford, Conn.	918,000*	1,218
8. Highland Superstores, Plymouth, Mich.	910,747	84
9. Child World, Avon, Mass.	807,067	163
10. Kay-Bee, Pittsfield, Mass.	780,127	727
11. Lechmere, Woburn, Mass.	760,000	27
12. Silo, Philadelphia	716,137	154
13. Herman's, Carteret, N.J.	700,000	290
14. Northern Automotive, Phoenix	660,000	800
15. Pep Boys—Manny, Moe & Jack, Philadelphia	655,964	243

*Chain Store Age Executive estimate

Source: Annual reports/Chain Store Age Executive research

Top 15 supermarket chains

Company	1988 Sales (000 omitted)	Stores
1. Kroger Co., Cincinnati	$19,050,000	2,206
2. American Stores, Irvine, Calif.	18,478,000	1,285
3. Safeway Stores, Oakland, Calif.	13,612,300	1,261
4. A&P, Montvale, N.J.	10,067,000	1,241
5. Winn-Dixie Stores, Jacksonville, Fla.	9,007,700	1,246
6. Albertson's, Boise, Idaho	6,773,100	487
7. Supermarkets General Holdings Corp., Carteret, N.J.	5,982,200	268
8. Publix Super Markets, Lakeland, Fla.	4,848,000	353
9. Vons Cos., El Monte, Calif.	3,916,000	350
10. Food Lion, Salisbury, N.C.	3,815,400	567
11. Ahold USA, Parsippany, N.J.	3,514,000	329
12. Giant Food, Landover, Md.	2,987,200	146
13. Grand Union Co., Wayne, N.J.	2,672,000	300
14. Stop & Shop Cos., Braintree, Mass.	2,517,363	114
15. Ralphs, Compton, Calif.	2,300,700	134

Source: Annual reports/Chain Store Age Executive research

Top 15 drug store chains

Company	1988 Sales (000 omitted)	Stores
1. Walgreen, Deerfield, Ill.	$4,883,520	1,416
2. American Drug Stores, Anaheim, Calif.	3,190,000	868
3. Eckerd Drug Stores, Largo, Fla.	2,900,000*	1,600
4. Rite Aid, Shiremanstown, Pa.	2,868,297	2,270
5. Revco, Twinsburg, Ohio	2,480,282	1,896
6. Thrifty, Los Angeles	2,400,000	1,020
7. Longs Drug Store, Walnut Creek, Calif.	1,925,451	226
8. CVS, Woonsocket, R.I.	1,688,292	782
9. Peoples Drug Stores, Alexandria, Va.	1,487,585	829
10. Pay Less Drug Stores, N.W., Wilsonville, Ore.	1,450,000*	290
11. Hook-SupeRx, Cincinnati	1,200,000	1,028
12. Thrift Drug, Pittsburgh, Pa.	882,000	434
13. Phar-Mor, Youngstown, Ohio	800,000*	114
14. Perry Drug Stores, Pontiac, Mich.	696,981	222
15. Drug Emporium, Columbus, Ohio	4[illegible]3,728	60

*Chain Store Age Executive estimate

Source: Annual reports/Chain Store Age Executive research

Top 15 department store chains

Company	1988 Sales (000 omitted)	Stores
1. May, St. Louis	$7,537,000	297
2. R. H. Macy, New York	5,729,000	140
3. Federated, Cincinnati	4,563,420	130
4. Allied, Cincinnati	2,844,300	127
5. Carter Hawley Hale, Los Angeles	2,817,100	112
6. Dillard, Little Rock	2,558,000	103
7. Batus, Louisville	2,300,000	94
8. Nordstrom, Seattle	2,327,900	48
9. Mercantile, N.Y.C.	2,265,500	80
10. Belk, Charlotte, N.C.	1,965,200*	340
11. Dayton Hudson, Minneapolis	1,803,600	34
12. Neiman Marcus Group, Chestnut Hill, Mass.	1,125,000	23
13. Woodward & Lothrop, Washington, D.C.	900,500	32
14. Carson Pirie Scott, Chicago	715,000*	33
15. L.J. Hooker Retail Group, N.Y.C.	677,000	41

*Chain Store Age Executive estimate

Source: Annual reports/Chain Store Age Executive research into the discount store figures, while Volume Shoe was counted as a shoe chain.

If actual sales data was not available, as in the case of the toys and Kids "R" Us divisions of Toys "R" Us, *Chain Store Age Executive* estimated the volumes.

This year may be the last in which members of the Exec 100 produce less than $1 billion in sales. Only six companies failed to meet that benchmark this year.

Profit rankings: The fortunes of a full year have also created changes in the rankings of companies by profits.

Based on net earnings, the top 10 companies for 1988, in descending order, are Wal-Mart, K mart, J. C. Penney, May, Melville, Tandy, Woolworth, Dayton Hudson, Toys "R" Us and The Limited.

Last year the order was Sears, Penney, K mart, Wal-Mart, May, Melville, F. W. Woolworth, Kroger, Tandy and The Limited.

The top 10 retailers in 1988, as a group, posted a 12.7% increase in sales over their combined performances of a year ago, demonstrating that the larger companies are growing at a faster rate than are the smaller chains which had an average 9.6% rise.

The top 10 companies also turned out to be highly efficient in converting sales dollars to profit dollars. Their net income increases averaged 16.8%.

Net earnings as a percent of sales went from 3.91% in 1987 to 4.05% in 1988. ■

Top 15 home center chains

Company	1988 Sales (000 omitted)	Stores
1. Lowe's Cos., North Wilkesboro, N.C.	$2,516,878	295
2. The Home Depot, Atlanta	1,999,514	96
3. Payless Cashways, Kansas City, Mo.	1,900,000	195
4. Builders Square, San Antonio, Tex.	1,700,000*	133
5. Wickes Lumber, Vernon Hills, Ill.	1,200,000	210
6. Grossman's, Braintree, Mass.	1,142,000	246
7. Hechinger, Landover, Md.	1,019,300	82
8. 84 Lumber, Eighty-Four, Pa.	900,000	300
9. HomeClub, Fullerton, Calif.	775,000*	46
10. Builders Emporium, Irvine, Calif.	700,000	110
11. Channel Home Centers, Whippany, N.J.	675,000	101
12. Sutherland, Kansas City, Mo.	660,000	85
13. Menard's, Eau Claire, Wis.	620,000	40
14. Scotty's, Winter Haven, Fla.	561,000	160
15. Rickel, South Plainfield, N.J.	503,000	51

*Chain Store Age Executive estimate

Source: Annual reports/Chain Store Age Executive research

Top 15 convenience store chains

Company	1988 Sales (000 omitted)	Stores
1. Southland Corp., Dallas	$3,820,200*	7,414
2. Circle K Corp., Phoenix	2,656,700	4,536
3. Emro Marketing, Springfield, Ohio	1,200,000*	1,000
4. CFM Franchising Co., Rosemont, Ill.	950,000*	1,400
5. National Convenience Stores, Houston	914,900	1,076
6. Dairy Mart, Enfield, Conn.	716,000	1,100
7. Convenient Industries of America, Louisville	485,000*	200
8. Wawa, Wawa, Pa.	470,000*	420
9. Racetrac Petroleum, Atlanta	450,000*	275
10. Coastal Mart, Houston	450,000*	900
11. Atlantic Richfield, Los Angeles	395,000*	760
12. Fast Fare, Baltimore	335,000*	483
13. Munford, Atlanta	300,004*	705
14. White Hen Pantry, Elmhurst, Ill.	291,000*	361
15. Musket Corp., Oklahoma City	275,000*	135

*Chain Store Age Executive estimate

Source: Annual reports/Chain Store Age Executive research

Top 15 full line discount store chains

Company	1988 Sales (000 omitted)	Stores
1. K mart, Troy, Mich.	$22,940,000	2,145
2. Wal-Mart, Bentonville, Ark.	16,820,000	1,259
3. Target, Minneapolis	6,331,000	341
4. Ames Dept. Stores, Rocky Hill, Conn.	3,362,000	680
5. Meijer, Grand Rapids, Mich.	3,000,000*	62
6. Bradlees, Braintree, Mass.	2,106,747	136
7. Fred Meyer, Portland, Ore.	2,073,544	112
8. Hills Dept. Stores, Canton, Mass.	1,670,000	167
9. Caldor, Norwalk, Conn.	1,574,000	119
10. Rose's, Henderson, N.C.	1,430,270	250
11. Venture Stores, O'Fallon, Mo.	1,282,000	73
12. ShopKo Stores, Green Bay, Wis.	1,200,870	87
13. Jamesway, Secaucus, N.J.	782,584	121
14. Fedco, Santa Fe Springs, Calif.	605,000	12
15. Pamida, Omaha	560,000	166

*Chain Store Age Executive estimate

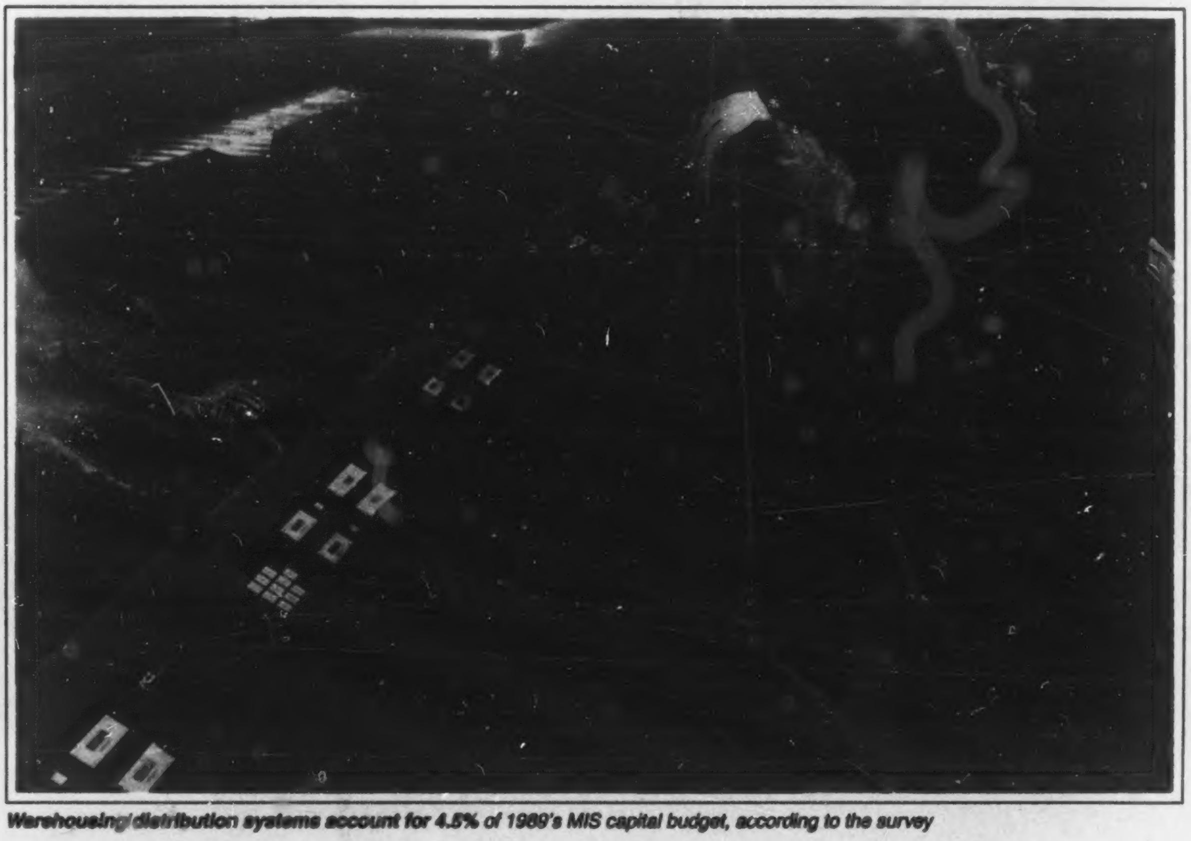
Source: Annual reports/Chain Store Age Executive research

Top 15 full price apparel chains

Company	1988 Sales (000 omitted)	Stores
1. The Limited, Columbus, Ohio	$4,070,777	3,201
2. U.S. Shoe, Cincinnati	1,151,400	1,750
3. The Gap, San Bruno, Calif.	1,252,097	1,084
4. Petrie Stores, Secaucus, N.J.	1,218,341	1,664
5. Charming Shoppes, Bensalem, Pa.	725,200	926
6. Hartmarx, Chicago	627,000	400
7. F. W. Woolworth, N.Y.C.	577,400*	677
8. Melville, Harrison, N.Y.	460,300	1,063
9. Edison Bros., St. Louis	460,000	1,231
10. Kids "R" Us, Rochelle Park, N.J.	300,000*	112
11. Merry Go Round, Towson, Md.	296,938	482
12. Dylex (U.S.), Toronto	287,620	664
13. Brooks Brothers, N.Y.C.	254,400	50
14. County Seat, Dallas	261,900*	375
15. Talbots, Hingham, Mass.	202,000*	136

*Chain Store Age Executive estimate

Source: Annual reports/Chain Store Age Executive research



Warehousing/distribution systems account for 4.5% of 1989's MIS capital budget, according to the survey

RETAILERS SPENDING MORE ON MIS BUDGETS

POS EQUIPMENT TOPS SHOPPING LIST, SAYS *CHAIN STORE AGE EXECUTIVE* POLL

Retailers are spending more on Management Information Systems (MIS) capital budgets in 1989 than they did in 1988. Most anticipate spending even more in 1990.

Top on the shopping list is point-of-sale (POS) equipment, especially programmable cash registers, hand-held terminals and micro/PCs with cash drawers.

These are among the conclusions of the second annual *Chain Store Age Executive* Retail Technology Census, an exclusive survey of retail Management Information Systems professionals.

Why the pronounced growth in capital spending? "We have to keep pace with our competitors," points out one specialty store MIS director.

"Increases are justified based on their ability to reduce costs or provide a competitive advantage—particularly in the areas of merchandise replenishment and inventory management," he says.

"We simply have more stores to support," says an MIS director at a growing supermarket chain. "We can't afford not to control our operations."

"Management has begun to recognize that a greater use of technology can drive down administrative costs," another survey respondent says. "There is a greater management understanding of the strategic value of information systems."

One variety store MIS director points out, "The technology is expanding into many new areas where it did not exist before. Functionality is increasing."

> 'Technology is expanding into areas where it did not exist before'

"Data processing skills used to be almost entirely within the MIS department. Now data processing is throughout the business. It is just the beginning," he says.

Says another retailer, "Equipment obsolesence is driving up the overall capital budget. We're going to need to upgrade our mainframe and two minicomputers. That may drive up our capital budget 70% next year."

Conducted in late June, the survey's purpose was to gauge the level and direction of MIS capital spending for the next year.

Chain Store Age Executive mailed questionnaires to more than 600 retail MIS executives, evenly divided among the 100 biggest companies in each of six retail categories: drug stores, supermarkets, home centers, discount stores, department stores, and specialty stores. All respondents were promised complete anonymity.

← — For more information circle 40 on reply card

About 8.3% of the questionnaires were returned by the survey cut-off date. Chains that responded to the poll averaged 319 stores each, representing total retail sales of more than $48.3 billion.

Overall outlook: The common thread weaving through the survey responses is that MIS capital budgets will be raised next year.

More than 53% of the MIS professionals report that their outlays will increase in 1990. Another 34% say their budgets will remain the same. Only 12.8% predict a spending turndown—in stark contrast to last year's survey, when 19% said the size of their MIS budgets would decline.

On the average, retailers in this year's poll say their MIS capital outlays total 1.12% of sales. Last year, retailers said their outlays represented 1.05% of sales.

In 1986, a similar study published by New York-based consultant Arthur Young found MIS spending by retailers at 0.94% of sales. A year earlier, it was 0.88%.

What are these bigger budgets buying for retailers? Next to hardware, POS systems are taking the largest bite, accounting for 27.5% of capital budgets, up from 18.3% last year.

Next year, outlays for POS are expected to rise to 28.6% of MIS capital budgets, for the first time edging out hardware, which will be at 28.5%.

"We intend to do a full scale replacement of all POS systems over the next three years," one specialty store MIS director says.

Says another, "Development and implementation of POS systems integrated with host systems is our major focus for the next several years. Enabling store systems to improve customer service by using information tools is strategic to our success."

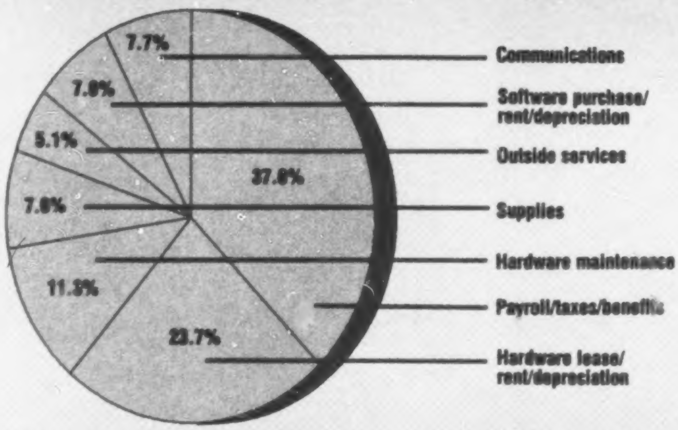
The poll finds retailers increasing their use of virtually every type of POS system, from electronic cash registers to programmable registers to hand-held terminals to micro/PCs with cash drawers.

More than half of the MIS executives say they plan to add more programmable cash registers and hand-held terminals in 1990.

The only decline is seen in mechanical cash registers, which 16.3% of retailers say they have in use, and only 4.1% say they plan to add.

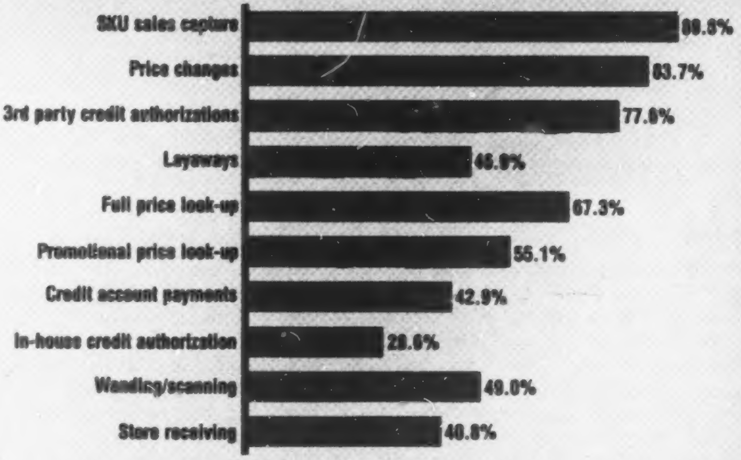
Among the features used by more than three-quarters of retailers with POS systems are sku sales capture,

MIS budgets —1989



Source: *Chain Store Age Executive research*

Use of POS features —1989



Source: *Chain Store Age Executive research*

Respondents using/planning to use scanners

Hand-held laser gun	69.0%
Fixed-head or flat-top	35.7
Light pen	11.9
Undecided	14.3

Source: *Chain Store Age Executive research*

MIS capital budget

	1988	1989	1990
POS devices	18.3%	27.5%	28.6%
Hardware	27.6	28.1	28.5
Software	18.3	17.9	16.9
End-user microcomputers	7.8	11.9	10.9
In-store systems	13.8	5.7	9.2
Warehousing/distribution systems	5.6	4.5	3.7
Other	8.4	4.4	2.2

Source: *Chain Store Age Executive research*

Use of EDI

	1988	1989
Will use within 18 mos.	55%	40.8%
In place	25	26.5
Currently testing	10	16.3

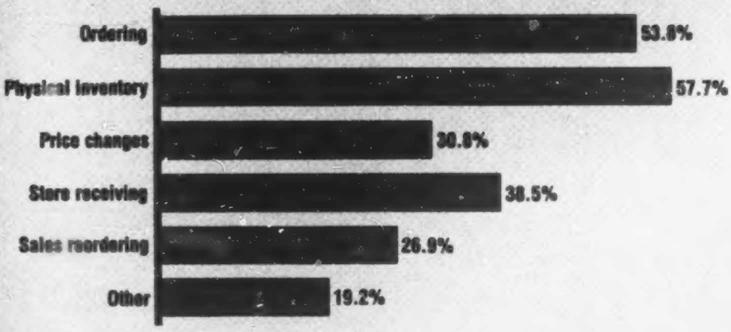
Source: *Chain Store Age Executive research*

Use of POS hardware

	1988	1989	Expect to add
Programmable cash registers	63.2%	75.5%	53.1%
Hand-held terminals	42.1	59.2	53.1
Micro/PCs with cash drawers	18.4	28.4	28.6
Electronic cash registers	66.5	75.5	24.5
Mechanical cash registers	13.2	16.3	4.1
Other	—	16.3	14.3

Source: *Chain Store Age Executive research*

Use of hand-held terminals —1989



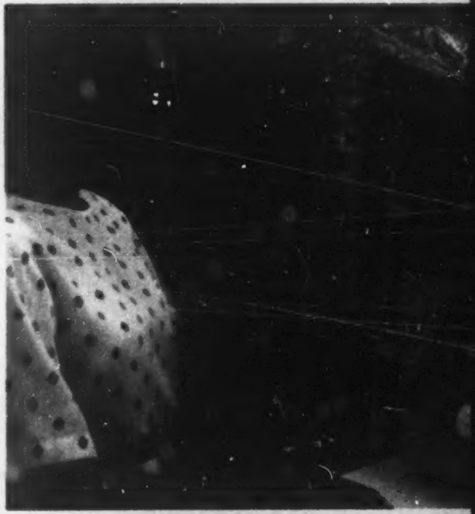
Source: *Chain Store Age Executive research*

price changes and third-party credit authorizations. More than half use full price look-up and promotional price look-up. Slightly less than half use wanding or scanning.

However, more than 85% of respondents say that if they don't now use scanning, they plan to use it eventually. The majority, 69%, favor the hand-held laser gun, while 35.7% want a fixed head or flat top, and 11.9% want a light pen.

Many respondents note the importance of POS in providing management with sales data.

"We're testing the use of PCs to capture POS information and transfer it to the corporate system," says a convenience store MIS director. "It's management's desire to become computer literate, with PCs on everyone's desk."



What are bigger MIS budgets buying?

Hand-held terminals are being used by 53.1% of retailers, according to the survey. Most are using it for ordering (53.8%) and physical inventory (57.7%). Other major uses are price changes (30.8%), store receiving (38.5%) and sales reordering (26.9%).

The survey also finds that Electronic Data Interchange (EDI) is continuing to make inroads into the retailing community, albeit slowly.

About 26.5% of retailers say they now have EDI in place, up from 25% last year. About 16.3% say they are currently testing EDI, and 40.8% say they plan to use EDI within the next 18 months. Last year, those figures were 10% and 55%, respectively. ■

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JUNE SALES LAG BEHIND INFLATION

Despite a bounce-back in apparel sales, revenue gains in June for most retailers continued to lag behind the inflation rate. The big winners were apparel specialty outlets, which posted double-digit, comparable-store hikes. The big losers were discount stores, where gains were decidedly limpid.

Same-store sales jumped 13% at The Gap and 12% at The Limited. Sales climbed 25% for the Neiman-Marcus Group, with same-store gains a more modest 14%. Comparable-store sales for year's first five months are up 17% at The Gap and 13% at The Limited (Neiman-Marcus did not release 22-week figures).

At Los Angeles-based Carter Hawley Hale Philip M. Hawley, chairman and ceo said, "June sales reflected a generally weaker tone in general merchandise sales across the country. Accessories, women's and men's apparel showed good strength, but some merchandise categories were weak."

At Sears, the nation's biggest retailer, strong increases in men's, children's and junior apparel lines were not enough to offset weakness in other merchandise categories. The Big Store recorded a comparable-store sales hike of only 3.6%.

Discount stores felt the hardlines softness the worst. Comparable-store figures for Rocky Hill, Conn.-based Ames gained a mere 0.2% in June, despite the units picked up from Zayre.

K mart recorded a 2.3% comparable-store increase. Even that weak gain, however, was welcome news in an otherwise lackluster year. Wal-Mart, meanwhile, bucked the trend. Same-store results were up 10% in June, nearly equaling the 11% pace set for the 22-week period.

Company	June '89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,811,800	+ 2.3	+ 3.6	$11,825,000	+ 7.4	+ 5.0
Penney	1,250,000	+ 7.6	+ 5.6	5,377,000	+ 4.6	+ 2.3
Ward	456,800	+ 6.6	+ 6.4	1,931,200	+ 6.9	+ 6.1
Woolworth	439,003	+ 8.2	+ 3.6	1,917,000	+ 7.9	+ 3.7
Melville	630,900	+ 14.6	N/R	3,203,700	+ 11.8	N/R
K mart	2,820,500	+ 5.6	+ 2.2	10,524,500	+ 3.8	+ 6.6
Wal-Mart	2,082,000	+ 25.0	+ 10.0	8,408,000	+ 25.0	+ 11.0
Dayton Hudson	1,200,000	+ 14.2	+ 8.1	4,910,000	+ 12.9	+ 5.7
Ames	467,000	+ 127.6	+ 0.2	1,966,000	+ 124.4	+ 0.6
Hills	159,572	+ 28.9	+ 2.1	690,372	+ 27.0	+ 2.8
Rose's	107,944	+ 2.1	− 3.9	576,227	+ 4.0	− 1.8
Jamesway	82,468	+ 2.5	− 4.0	311,757	+ 10.3	+ 2.0
May	1,100,000	+ 8.8	+ 5.0	4,579,000	+ 16.0	+ 5.5
Carter Hawley Hale	251,200	+ 3.6	+ 2.6	1,089,600	+ 7.4	+ 6.4
Mercantile	198,088	+ 3.0	+ 2.0	838,294	+ 2.6	+ 2.5
Neiman-Marcus Group	132,400	+ 25.0	+ 13.8	N/R	N/R	N/R
The Limited	387,000	+ 11.4	+ 12.0	1,890,000	+ 15.3	+ 13
The Gap	132,000	+ 23.3	+ 13.0	651,000	+ 27.0	+ 17
Circuit City	151,100	+ 25.0	+ 6.0	N/R	N/R	N/R
Best Buy	38,000	− 5.0	− 6.0	107,000	− 4.0	− 7.5
Walgreen	445,085	+ 11.1	+ 10.0	2,044,200	+ 10.6	+ 9.4

N/R = not reported

Source: Company reports

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Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

September 1989

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AFTER THE FALL

Lessons From LJ Hooker

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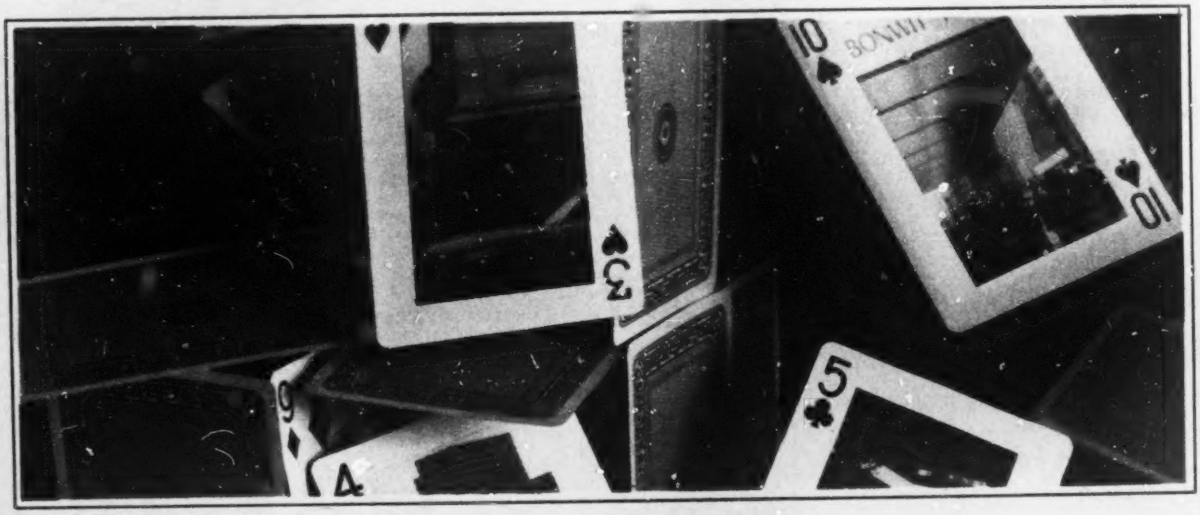

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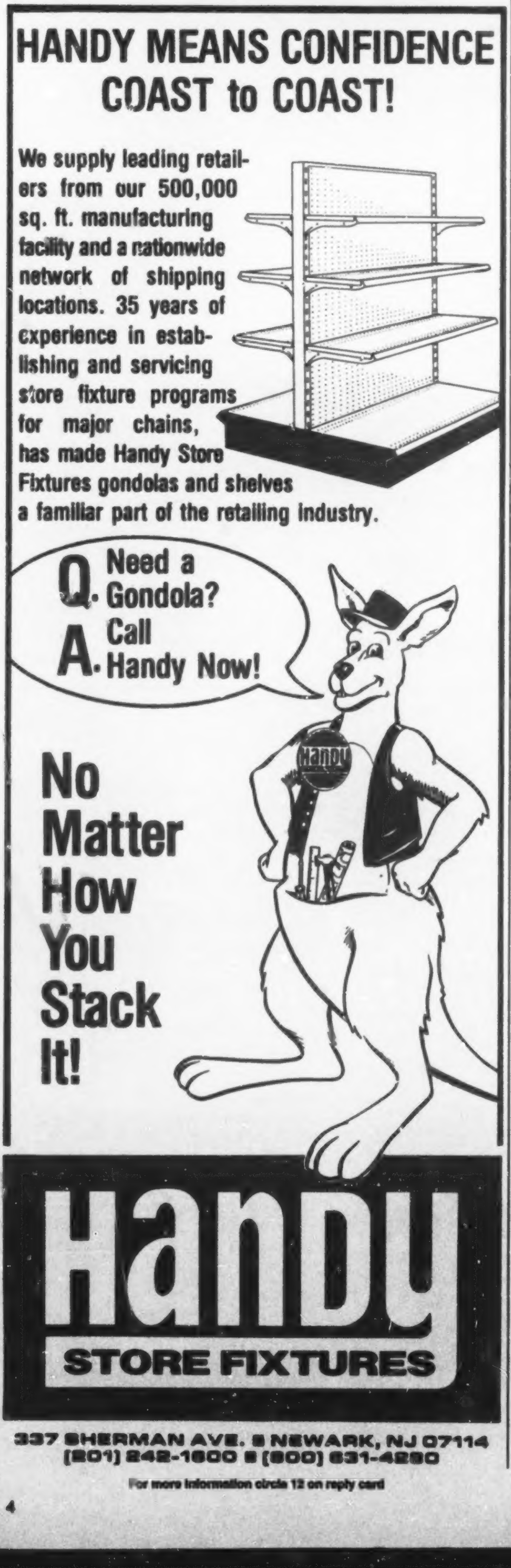
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Volunteers sift through damaged dry grocery items at A&P's reclamation center

baum, possibly on Long Island," says Reichert. "Eventually we will go to all 25 states where A&P operates. Where the need exists, we will go."

Reichert says one visit to the North Bergen center, shortly after her conversation with her clergyman, was all it took for her to recognize how much of an impact A&P could make by donating food.

The center is where A&P stores send damaged dry grocery items which they choose not to stock for sale on shelves, and for which they seek credit from the manufacturers.

"When you have a central area for that sort of thing—as opposed to disposing of the items from the backrooms of individual stores as some retailers do—you can see how much product is actually being thrown away. It's phenomenal," she says.

"I wondered how much it would cost A&P to turn that product over to organizations for the needy. As it turns out, it costs little," Reichert explains.

"We still get credit from the manufacturers for the damaged goods. They're all willing to let us dispose of the items through donations. In fact, at this point, the system has become routine at North Bergen."

Sifting through and distributing the items costs A&P nothing, she says, since it's all done by volunteers.

"They organize the items and check to make sure there's no damage that might render the food harmful to eat. Just because we won't sell a dented can doesn't necessarily mean the food inside is bad," says Reichert.

"The volunteers are obviously doing a good job because, so far, there's never been a reported case of anyone getting sick from the food."

As if all this weren't enough, in June A&P started a program called Fight Hunger. Consumers are invited to donate non-perishables by placing them in bins set up in stores.

"Our goal is to implement the program in all the stores in northern New Jersey, then eventually go chainwide," Reichert says.

If establishing a food for the needy program costs so little, then why don't all supermarket chains do it? "First of all, a chain needs someone to initiate it," says Reichert. "These things don't happen automatically.

"And second, even though it may not cost very much, it does take work. You need to have a good standard procedure going, otherwise, you get chaos. And you need a central reclamation location—you lose efficiency if all the reclamation work takes place in the backrooms of stores," she says.

Reichert recognizes that for its efforts, A&P reaps substantial image-building benefits. "I'm fully aware that the publicity is good for the company. It has an impact not only on consumers, but on our employees—they can take pride in what we do."

However, Reichert says her prime motivation is humanitarianism, not public relations. "It's simply my personal desire to help people in need.

"If publicity can create a justification for that, that's fine. Personally, what I'd like most is to make other companies aware of what we're doing. Perhaps they'll decide to emulate us, which can only further reduce the problem of hunger." ■

—**Bruce Fox**

ARE THEY WORTH IT?

EXECS COST PLENTY, BUT CHECK THE BOTTOM LINE

Did Wal-Mart ceo David Glass do a better job last year than K mart's Joseph Antonini? If performance is measured by a company's profits compared to its chief executive's salary, he did.

Glass brought $1,642 to Wal-Mart's bottom line for every dollar he was paid in 1988. K mart recorded a $868 profit for every dollar it paid Antonini. Salary and bonus for Glass last year totaled $510,000. Antonini pulled in $925,000.

Both retail chief executives, however, rank at the top of this year's Executive Pay Scoreboard (*see chart, page 21*). Glass topped the list. Antonini came in third.

Joining the discount heavyweights in the top 10 are: J. C. Penney's William Howell; Sears, Roebuck's Edward Brennan; Petrie Stores founder Milton Petrie; May Department Stores head David Farrell; Price Club's Robert Price; Tandy chief and Radio Shack operator John Roach; Melville's Stanley Goldstein; and Winn-Dixie ceo Dano Davis.

Chain Store Age Executive ranked the ceo's by taking each company's 1988 net profits and dividing by the chief executive's compensation (salary and bonus, excluding stock gains).

The more profits the company recorded per dollar paid to its top executive, the higher that ceo ranked on the list. High pay alone was not necessarily a barrier to a high position on the Scoreboard.

Sears' Edward Brennan placed third on the list, despite being the fourth highest paid executive of the 50 surveyed.

Losses, however, were certain to put the ceo near the bottom. Maurice Segall occupies last place, the Scorecard's least coveted spot. In 1988 Zayre lost $240 for every dollar it paid Segall. Joining Segall at the bottom are: Carson Pirie Scott's Peter S. Wilmott, Rapid-American's Meshulam Riklis and Vons' Roger Strangeland. ■

Executive Pay Scoreboard

Chief Executive	Company	1988 Salary + Bonus (000 omitted)	1988 Profits (000 omitted)	Profits + Compensation
David D. Glass	Wal-Mart Stores	$ 510	$837,200	$1,642
William R. Howell	J. C. Penney	795	807,000	1,015
Joseph E. Antonini	K mart	925	802,900	868
Edward A. Brennan	Sears, Roebuck	1,306	860,500	658
Milton Petrie	Petrie Stores	150	92,182	615
David C. Farrell	May Dept. Stores	1,125	534,000	475
Robert E. Price	Price	230	94,753	412
John V. Roach	Tandy	872	321,300	368
Stanley P. Goldstein	Melville	1,073	354,500	330
A. Dano Davis	Winn-Dixie Stores	468	128,300	274
James F. Nordstrom	Nordstrom	454	123,300	272
John N. Nordstrom	Nordstrom	454	123,300	272
Bruce A. Nordstrom	Nordstrom	454	123,300	272
Harold E. Sells	Woolworth	1,062	288,000	271
Kenneth A. Macke	Dayton Hudson	1,166	287,000	246
Leslie H. Wexner	The Limited	1,031	245,100	238
Tom E. Smith	Food Lion	532	112,500	211
Charles R. Walgreen III	Walgreen	648	135,000	208
Leonard G. Herring	Lowe's Cos.	379	69,200	183
W.E. McCain	Albertsons	970	162,500	168
Leon F. Winbigler	Mercantile Stores	882	144,500	164
Alex Grass	Rite Aid	637	95,300	150
Raymond Zimmerman	Service Merchandise	529	76,500	145
Robert M. Long	Longs Drug Stores	391	55,900	143
David V. Wachs	Charming Shoppes	318	42,585	134
Karl Eller	Circle K	408	52,500	129
Richard L. Sharp	Circuit City Stores	600	63,000	105
William T. Dillard Sr.	Dillard Dept. Stores	1,193	113,000	95
Richard A. Smith	General Cinema	1,225	104,200	85
Peter B. Hollis	Ames Dept. Stores	594	47,200	79
Israel Cohen	Giant Food	1,247	98,000	79
Leon Levine	Family Dollar	350	27,334	78
Frederick M. Stevens	Fred Meyer	475	36,700	77
John J. Shea	Spiegel	787	57,000	72
James Wood	Great A&P Tea	2,010	127,000	63
Charles Lazarus	Toys "R" Us	4,429	268,000	61
Donald G. Fisher	The Gap	1,374	74,200	54
Bernard Marcus	Home Depot	1,665	76,800	46
Lucius H. Harvin III	Rose's Stores	356	16,400	46
Cal Turner, Jr.	Dollar General	287	10,015	35
Lyle Everingham	Kroger	1,000	34,500	34
Elliot S. Jaffe	Dress Barn	520	15,832	30
Stephen A. Goldberger	Hills Dept. Stores	636	10,800	17
Herbert Fisher	Jamesway	800	9,600	12
Philip M. Hawley	Carter Hawley Hale	605	5,300	9
Philip G. Barach	U.S. Shoe	596	5,300	9
Roger E. Stangeland	Vons Cos.	587	(23,600)	− 40
Meshulam Riklis	Rapid-American	3,074	(161,612)	− 53
Peter S. Wilmott	Carson Pirie Scott	446	(38,700)	− 87
Maurice Segall	Zayre	700	(168,000)	− 240

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FINANCE

SEARS BACK ON SHAKY GROUND

Spurred by continued strength in apparel sales, most of the nation's biggest retailers reported improved year-to-year sales in July. However, at Sears, the nation's largest chain, the newly implemented everyday-low-price policy has produced shaky returns. The company reported a gain of only 0.4% for the month, with same-store sales down 2.4%.

Michael Bozic, chairman of Sears Merchandise Group, blamed weak durables sales. He noted the company had recently expanded its appliance departments. Indeed, among all retailers, those that emphasize apparel consistently outperformed those with inventories containing more durable goods.

In contrast to Sears, K mart appears to be on the rebound. The company said its July sales were up 6.4% from the year earlier. "The improved tone to our business in June continued in July," said Joseph E. Antonini, K mart chairman and ceo.

Continuing its dramatic momentum, Wal-Mart, the No. 3 retailer, gained 23.8% in its July sales, while same-store sales rose 10%.

J. C. Penney, too, saw a substantial sales rise—12.1%—to $1 billion in July. William R. Howell, chairman, said that all apparel lines had increases, with the most significant gains in children's merchandise, indicating the likelihood of a strong back-to-school season.

Same-store sales at Carter Hawley Hale rose 4% for the month and 6% for 26 weeks. "Sales during July were satisfactory, with the best gains coming in the women's apparel area," said Philip M. Hawley, chairman and eeo.

At Dayton Hudson, same-store sales rose 6.9% for July and 5.9% for the 26 weeks. "The month's growth was led by soft lines," said Kenneth A. Macke, chairman and ceo.

Company	July '89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,400,750	+ 0.4	− 2.4	$15,711,546	+ 6.7	+ 4.2
K mart	2,088,000	+ 6.2	+ 2.7	13,078,775	+ 4.4	+ 0.4
Wal-Mart	1,983,000	+ 24.4	+10.0	11,421,000	+ 25.1	+11.0
Penney	1,001,000	+ 11.8	+ 9.8	6,779,000	+ 6.2	+ 3.8
Dayton Hudson	886,000	+ 15.6	+ 6.9	5,800,000	+ 13.3	+ 7.0
May	557,300	+ 8.1	+ 6.0	4,026,500	+ 17.9	+ 5.9
Melville	510,900	+ 7.8	N/R	3,714,600	+ 11.3	N/R
Woolworth	692,000	+ 8.2	+ 4.8	3,860,000	+ 9.3	+ 3.8
Carter Hawley Hale	180,700	+ 4.9	+ 4.0	1,220,200	+ 7.0	+ 6.0
Walgreen	438,446	+ 11.3	+10.1	3,083,195	+ 10.7	+ 9.4
Ames	342,000	+113.6	+ 6.2	2,327,000	+122.7	+ 1.3
Ward	332,639	+ 0.5	N/R	2,163,808	+ 5.8	+ 5.2
The Limited	292,500	+ 12.4	+12.0	1,955,000	+ 14.7	+13.0
Mercantile	144,330	+ 4.4	+ 3.3	983,617	+ 3.0	+ 2.2
Hills	129,293	+ 26.5	+ 3.3	828,086	+ 28.9	+ 2.9
The Gap	86,000	+ 18.1	+ 8.0	696,000	+ 25.7	+16.0
Circuit City	160,900	+ 15.0	− 4.0	N/R	N/R	N/R
Neiman-Marcus Group	102,300	+ 29.8	+20.7	N/R	N/R	N/R
Rose's	98,633	− 2.9	− 8.0	674,831	+ 3.0	− 2.6
Jamesway	51,289	+ 12.6	+ 5.0	363,026	+ 10.6	+ 3.0
Ross	62,000	+ 19.0	+10.0	331,000	+ 19.0	+11.0
Dollar General	66,000	+ 3.9	+ 3.1	275,900	+ 3.0	+ 3.3
Best Buy	40,000	− 2.0	− 4.0	147,000	− 3.9	N/R
Gottschalks	14,490	+ 12.3	N/R	N/R	N/R	N/R
Claire's	11,880	+ 43.0	+25.0	72,380	+ 58.0	+36.0

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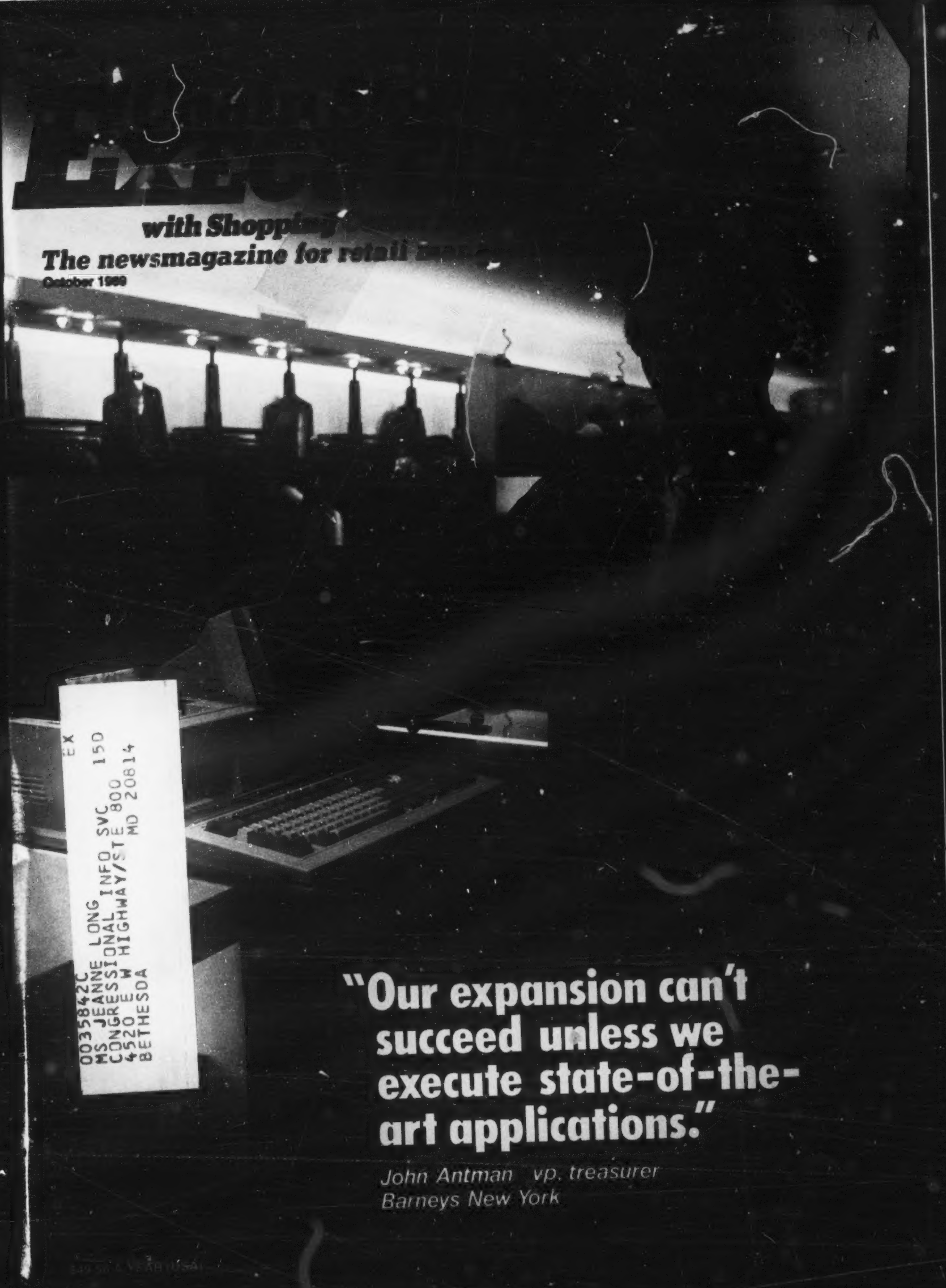

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In total, Sprouse is served by some 400 vendors, primarily service merchandisers who act as distributors.

Prior to the implementation of EDI, stores were ordering merchandise direct from each vendor, Van Hove says. EDI was started with the participation of three vendors, and the proprietary format used closely matched those of other retailers.

Priorities for which vendors should be potential partners are determined by the company's merchandising department, he says, but initial contacts are made through the MIS department.

Sprouse, which this year celebrates its 80th anniversary in business, merchandises six basic product categories: home furnishings, toys, fabrics/domestics, social expression, housewares and apparel.

Stores vary in size from 5,000 to 18,000 sq. ft. This year the company changed its trade name from Sprouse-Reitz to Sprouse! as part of an effort to update its corporate image and modify its advertising strategy.

Each store carries approximately 40,000 sku's, of which 18,000 are basics, with the remainder seasonal and fashion. Sales last year were $216 million.

One hundred fifty employees occupy the home office, of which 40 are directly involved in MIS, Van Hove says. MIS became a department three years ago, and has been responsible for installing, in addition to EDI, a general ledger and accounts payable system and a point-of-sale system.

The company owns no warehouses, but uses three public warehouses for receiving some merchandise—particularly imports, which represent 7% of the stock carried. All other merchandise is drop-shipped to stores from vendors using UPS or common carrier. ■

MIS BOOMING, SAYS FMI STUDY

SUPERMARKETS INCREASE STAFFS AND BUDGETS

In the supermarket industry, the number of employees used to staff the management information systems (MIS) departments is continuing to rise steadily.

What's more, there's a steady stream of MIS employees moving out of headquarters and into retail stores and warehouses.

So says the latest MIS study released by the Food Marketing Institute, the Washington-based supermarket industry trade association.

In 1988, the survey finds, retailers and wholesalers had an average 92.4 employees involved in the MIS function. That's a whopping 62% rise over 1985's average of 57.1.

The biggest gains came in the area of additional support, including store and scanning support and telecommunications, which accounted for 16.4% of MIS employees in 1988, up from 10.7% in 1986.

The survey notes that these are the employees who most often work at the store or warehouse level.

At the same time, the proportion of people working in the operations area declined from 51.7% in 1986 to 42.5% last year.

The percentage of management employees in the MIS department remained at the same steady level of between 4% and 5%, the level where it has been for the past four years.

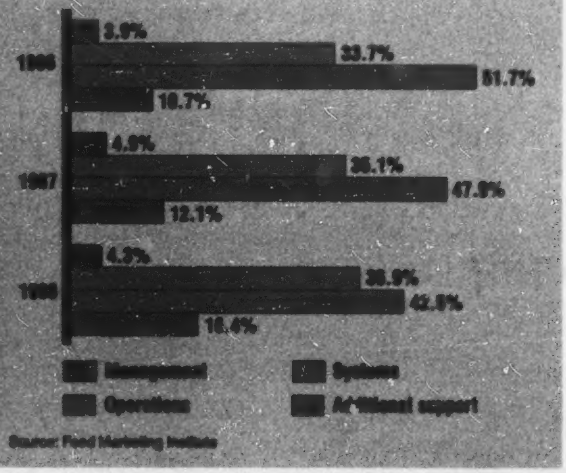
Poll of vps: Survey findings were based on responses to questionnaires mailed to MIS vps of FMI member companies with annual sales of $50 million or greater. A total of 74 questionnaires were returned—54 from retailers and 20 from wholesalers.

According to the survey, the average amount allocated by companies to MIS department expenses was about $7.8 million in 1988. This represented 0.43% of net annual company sales, a figure similar to those reported during the last five years.

Within the MIS budget, the average company spent about $3.3 million in 1988 on the largest expense: employee wages, salaries and fringe benefits. As a proportion of the total budget, this has declined in the past few years, from 42.2% in 1985 to 36.1% in 1988, reflecting the increasing diversity of MIS functions.

More than 60% of respondents say that the MIS department at their company has budgetary responsibility for personal computers. The number represents a decline from figures reported in 1985 and 1986, indicating that PC functions are no longer the exclusive domain of the MIS department.

Employees in each job category



Source: Food Marketing Institute

The survey finds that for the past five years, the time allocations set by MIS departments for the work they perform have remained relatively constant.

About 55% of a department's time is spent on new applications or major enhancements for existing systems. Between 7% and 14% is devoted to internal projects. Most of the remainder is involved in maintenance or problem solving.

More firms are moving into the advanced use stage of various technologies, according to the survey.

For example, 39.7% of 1988 respondents reported advanced use of personal computers with a mainframe connection, as compared to 13.3% in 1985. Similar trends are found for data bases, distributed processing in-store and ATMs.

Almost 36% of respondents say they are evaluating electronic shelf tags and 10% report limited or advanced use.

EDI, DSD, EFT data: Uniform communications standards for electronic data interchange with direct store delivery transactions are being evaluated by almost 47% of firms, and electronic funds transfer at the point of sale by 44.9%.

Almost 88% of the responding companies have retail automation, a slight increase from last year's 84.6%.

Popular uses of retail automation include scan interface, time and attendance, electronic mail and DSD. This year, 8.4% report using it for labor scheduling, up slightly from 1987.

The survey also finds that the communications staff reports to a single manager in 51.4% of the responding firms. In over 90% of those companies, that manager was in the information systems department.

The average company spent approximately $1 million on telecommunications in 1988: $620,000 for voice communications, $382,000 for data communications, and $21,000 in miscellaneous areas, according to the survey.

Over half the firms used key telephone systems in their stores. Only 30% used T1 transmission facilities.

About 50% of companies have a disaster recovery plan which they reviewed during the past 12 months, an increase of 15% over the past two years. Of those firms, 41% worked with a remote hot site which contains a system available for use at any time. ■

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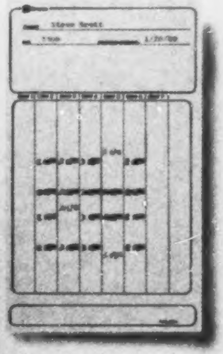

The Centennial virtually eliminates overprinting and jamming.

Simplex

For more information circle 44 on reply card

SEARS PRICING STRATEGY STILL IN DOUBT

CONVINCING CONSUMERS IS A TOUGH SELL IN MANY MARKETS

Full page newspaper ads keep trumpeting the message that every day is a low price day at Sears, Roebuck & Co., but consumers have turned an almost deaf ear.

After an initial 9.6% boost in same store sales in March (the first month of its new every day low price strategy) Sears has seen its same store sales change erode in subsequent months.

The summer was particularly cruel. August produced the second consecutive month of lower sales on a comparable store basis.

While consumer response has not been uniform throughout the country, surveys conducted by Impact Resources of Columbus, Ohio, reveal that in many major markets Sears has failed to convince shoppers that it is indeed a price leader.

The market research firm queried shoppers on their attitudes about Sears in seven major markets. The study compared pre- and post-price change results.

What it discovered was that in some markets Sears actually suffered a decline in price as a motivator for store choice.

Moreover, compared to other every day low price-oriented retailers, Sears lags far behind in consumer perceptions as a price leader.

Surveys taken in May-June 1989 show that in Cleveland, Chicago and Buffalo more shoppers cited price as a reason for picking Sears than they did in comparable polls in August 1987-June 1988.

On the other hand, the percentage of shoppers who rated price as the main reason to shop Sears fell in Milwaukee, Kansas City and Denver. There was virtually no change in Minneapolis.

Three markets stand out for their overall changes to Sears. Buffalo residents, according to the market research firm's analysis of price, selection, location, quality and service, rated Sears higher in all five attributes.

Milwaukee and Denver shoppers, however, scored Sears lower across the board.

In Chicago, customers scored Sears higher on price and selection, but worse on location and quality. Hometowners rated service the same before and after the price changes.

SHIFTS IN MOTIVATION AMONG SEARS SHOPPERS

	Milwaukee				Buffalo			
	Sears ('88)	K mart	Shopko	Target	Sears ('88)	Ames	Hills	K mart
Price	46.4 (52.2)*	60.8	50.1	73.8	48.5 (42.3)	54.4	73.3	63.5
Selection	43.8 (47.0)	38.3	38.6	56.5	49.2 (43.7)	38.7	47.2	42.8
Location	32.8 (33.4)	39.6	29.1	44.0	35.3 (33.8)	55.8	40.6	44.0
Quality	35.8 (38.9)	20.8	14.7	33.9	41.9 (35.9)	17.8	28.2	23.7
Service	24.8 (28.4)	17.6	25.5	23.6	36.1 (26.5)	11.7	20.4	22.0
Mkt. rank	1	3	4	2	1	4	2	3

	Kansas City					Cleveland			
	Sears ('88)	K mart	Ward	Venture	Wal-Mart	Sears ('87)	Hills	K mart	Zayre
Price	45.2 (48.4)	62.2	48.1	65.3	65.5	47.3 (42.2)	69.3	66.0	78.8
Selection	45.9 (43.9)	33.7	36.4	39.0	43.4	47.7 (46.3)	45.6	39.9	36.4
Location	32.7 (37.4)	37.6	28.7	44.9	32.2	34.1 (34.6)	39.8	47.1	44.6
Quality	38.7 (41.8)	17.0	28.5	11.7	25.6	34.9 (38.8)	33.6	20.9	29.9
Service	28.5 (28.5)	16.0	23.1	8.3	23.2	26.0 (28.3)	26.1	15.3	27.6
Mkt. rank	1	4	3	5	2	1	3	2	4

	Denver						Minneapolis		
	Sears ('87)	K mart	Mervyns	Ward	Target	Wal-Mart	Sears ('87)	Ward	Target
Price	37.4 (44.3)	66.4	52.5	48.0	58.3	75.1	46.3 (46.8)	48.9	78.1
Selection	40.4 (43.0)	35.7	53.9	41.4	38.5	47.1	41.7 (34.5)	44.3	44.1
Location	33.2 (35.6)	40.2	39.0	39.2	41.0	37.6	31.3 (27.5)	41.2	44.1
Quality	38.1 (38.4)	10.1	35.2	25.2	21.5	36.3	35.1 (32.9)	31.3	23.8
Service	27.3 (29.2)	9.3	25.1	27.0	18.1	30.8	24.9 (22.0)	22.1	17.3
Mkt. rank	1	4	6	3	2	5	2	3	1

* To be read as: In May 1989 46.4% of Sears shoppers in Milwaukee cited price as a reason for store choice compared to 52.2% in 1987.
Market rank represents consumer preference of price-oriented stores.
Source: Impact Resources

SALES

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney*	3,512,000	+ 5.1	6,920,000	+ 4.5
Sears, Roebuck & Co.*	7,706,400	+ 7.0	14,461,600	+ 9.3
Composite	11,218,400	+ 6.4	21,381,600	+ 7.7
DEPARTMENT STORES				
Dillard	629,203	+ 13.8	1,227,268	+ 14.7
Gottschalks	46,018	+ 13.3	91,378	+ 17.4
Jacobson's	85,850	+ 15.7	172,273	+ 13.4
Macy†	2,040,000	+ 8.3	4,000,000	+ 12.2
Mercantile	505,011	+ 3.0	983,574	+ 3.0
Nordstrom	729,060	+ 13.1	1,241,248	+ 15.3
Strawbridge & Clothier	282,171	+ 4.8	382,701	+ 4.5
Composite	4,230,342	+ 9.2	8,196,442	+ 11.5
DISCOUNT STORES				
Ames	1,219,042	+121.3	2,327,540	+122.8
Consolidated	133,036	− 2.3	264,639	+ 0.4
Dayton Hudson	3,007,000	+ 15.0	5,923,000	+ 13.1
Fred Meyer	487,668	+ 3.2	1,107,744	+ 6.7
Hills*	430,993	+ 28.4	828,933	+ 26.7
Jamesway	201,106	+ 11.2	363,026	+ 10.6
K mart	7,096,100	+ 4.8	13,074,300	+ 4.4
Pic 'N' Save	101,772	+ 22.8	195,878	+ 24.9
Rose's	347,291	+ 0.1	674,781	+ 3.0
Wal-Mart	6,046,413	+ 24.8	11,419,673	+ 25.1
Composite	19,070,417	+ 16.8	36,179,514	+ 16.6
SHOE/SPECIALTY CHAINS				
Brown Group†	427,972	+ 9.0	864,523	+ 9.6
Edison Bros.	228,200	+ 50.4	442,96[illegible]	+ 19.6
Genesco	119,563	+ 4.3	224,523	+ 3.7
Melville	1,675,270	+ 34.4	3,204,367	+ 11.9
U.S. Shoe	501,047	+ 8.6	1,162,006	+ 8.5
F.W. Woolworth	1,963,000	+ 7.4	3,860,000	+ 8.2
Composite	5,025,052	+ 11.2	9,759,179	+ 9.9
APPAREL CHAINS				
Charming Shoppes	201,027	+ 12.6	373,375	+ 13.6
Deb Shops	47,122	+ 4.1	88,662	+ 4.2
Designs	15,076	+ 47.1	27,241	+ 35.8
Gantos	53,916	+ 45.1	105,956	+ 45.8
The Gap	325,930	+ 23.3	635,864	+ 25.7
Paul Harris	54,736	+ 29.1	101,674	+ 28.3
The Limited	996,284	+ 10.9	1,954,901	+ 14.7
Merry-Go-Round	90,320	+ 52.7	164,239	+ 46.3
Petrie*	293,602	+ 3.0	572,829	+ 4.9
Composite	2,072,112	+ 14.2	4,024,741	+ 16.5
OFF-PRICE APPAREL				
Banker's Note	9,340	+ 0.1	19,123	− 2.8
Clothestime*	52,053	+ 20.0	93,240	+ 14.9
Ross	173,895	+ 19.9	327,801	+ 19.1
S&K	13,294	+ 17.2	25,706	+ 13.5
Syms	77,418	+ 8.2	137,886	+ 6.2
TJX†	509,267	+ 15.0	966,630	+ 16.2
Composite	826,258	+ 15.5	1,570,395	+ 15.5
WAREHOUSE WHOLESALE CLUBS				
Bizmart[1]*	19,687	+1316.3	19,687	+1316.3
Costco[4]*	858,116	+ 46.1	1,834,164	+ 43.8
HQ Office Supply Warehouse	5,000	N/A	7,619	N/A
Office Club	31,302	+284.6	60,365	+238.7
Office Depot*	63,816	+154.9	127,326	+172.1
Pace Membership*	346,196	+ 26.2	664,815	+ 30.9
Price[3]	1,000,000	+ 15.3	3,000,000	+ 20.2
Staples[1]*	37,005	+ 80.8	37,005	+ 80.8
Waban	520,677	+ 29.5	906,040	+ 29.3
Warehouse Club[3]	60,042	+ 3.6	204,900	+ 8.4
Wholesale Club	134,500	+ 45.8	241,950	+ 42.3
Composite	2,977,370	+ 30.1	7,072,000	+ 30.1

EARNINGS

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
CATALOG STORE CHAINS				
J. C. Penney*	98,000	+ 21.0	246,000	+ 23.6
Sears, Roebuck & Co.*	161,000	+ 2.5	195,400	+ 10.8
Composite	259,000	+ 8.8	441,400	+ 17.6
DEPARTMENT STORES				
Dillard	18,752	+ 26.9	38,334	+ 24.5
Gottschalks	(1,383)	N/A	(70)	N/A
Jacobson's	(632)	N/A	1,445	+ 26.8
Macy†	71,000	+ 26.8	135,000	+ 14.4
Mercantile	16,546	− 12.2	43,577	− 6.5
Nordstrom	38,546	+ 5.1	61,519	+ 10.1
Strawbridge & Clothier	1,735	+184.0	3,294	+ 21.5
Composite	144,564	+ 14.5	283,099	+ 10.6
DISCOUNT STORES				
Ames	(8,400)	N/A	(20,736)	N/A
Consolidated	24	− 99.2	(1,003)	N/A
Dayton Hudson	56,000	+100.0	96,000	+ 62.7
Fred Meyer	7,442	− 30.0	13,178	− 19.3
Hills*	(10,213)	N/A	(26,003)	N/A
Jamesway	931	− 43.4	(208)	N/A
K mart	145,000	− 10.9	239,100	− 15.7
Pic 'N' Save	6,403	− 21.8	11,818	− 22.4
Rose's	(3,024)	N/A	1,603	− 72.0
Wal-Mart	219,848	+ 22.0	417,337	+ 25.3
Composite	413,211	+ 4.7	730,426	+ 1.9
SHOE/SPECIALTY CHAINS				
Brown Group†	6,418	+ 16.5	10,735	− 34.1
Edison Bros.	8,600	+437.5	14,500	+500.5
Genesco	5,647	+ 57.1	5,473	+316.2
Melville	61,626	+ 2.0	85,856	+ 3.4
U.S. Shoe	5,921	N/A	13,614	N/A
F.W. Woolworth	48,000	+ 11.6	84,000	+ 7.7
Composite	136,212	+ 23.8	214,178	+ 20.8
APPAREL CHAINS				
Charming Shoppes	11,753	+ 29.6	18,648	+ 49.1
Deb Shops	5,006	+136.4	5,878	+ 98.8
Designs	(906)	N/A	(1,906)	N/A
Gantos	541	+503.6	1,406	+380.9
The Gap	14,138	+ 26.1	29,191	+ 88.9
Paul Harris	143	N/A	(491)	N/A
The Limited	63,781	+107.7	108,970	+ 99.7
Merry-Go-Round	1,540	+297.2	3,215	+288.6
Petrie*	3,512	− 2.8	10,547	+ 4.0
Composite	99,557	+ 79.3	175,378	+ 94.5
OFF-PRICE APPAREL				
Banker's Note	100	− 46.8	284	− 47.7
Clothestime*	2,326	+7403.2	2,408	N/A
Ross	7,121	+ 15.7	10,525	+ 65.4
S&K	448	+ 8.2	836	+ 7.5
Syms	4,234	− 8.8	6,024	− 5.7
TJX†	12,800	+ 48.0	32,012	+ 40.9
Composite	27,088	+ 34.5	52,809	+ 52.2
WAREHOUSE WHOLESALE CLUBS				
Bizmart[1]*	(1,100)	N/A	(1,100)	N/A
Costco[4]*	4,610	+ 94.2	17,103	+ 72.4
HQ Office Supply Warehouse	(2,870)	N/A	(4,011)	N/A
Office Club	(631)	N/A	(832)	N/A
Office Depot*	1,140	N/A	2,084	+492.5
Pace Membership*	1,933	+ 43.0	2,906	+ 72.5
Price[3]	21,000	+ 13.5	66,000	+ 21.1
Staples[1]*	48	N/A	48	N/A
Waban	8,790	+ 52.4	16,300	+ 61.5
Warehouse Club[3]	15,000	N/A	561	N/A
Wholesale Club	1,282	+ 82.4	1,842	+ 4.4
Composite	48,786	+111.1	118,221	+ 38.6

N/A Not applicable because of loss in either current or comparable period
* Before extraordinary items or changes in accounting principles
† Continuing operations only
[1] First quarter figures
[3] Third quarter figures
[4] Fourth quarter figures
Source: Company reports

SALES

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[1]	107,160	− 4.1	107,160	− 4.1
Blockbuster Ent.	74,133	+111.4	138,783	+145.4
Circuit City[1]	407,997	+ 24.5	407,997	+ 24.5
Claire's	38,000	+ 50.4	72,325	+ 55.9
Fabri-Centers	67,329	+ 17.4	141,458	+ 16.5
Fretters*	52,000	− 7.2	10,1300	− 4.3
Good Guys	41,924	+ 19.4	142,903	+ 20.3
Heilig-Meyers[1]	99,100	+ 8.1	99,100	+ 8.1
Highland Superstores	198,461	− 4.6	395,010	− 1.4
House of Fabrics	81,331	+ 13.0	160,795	+ 9.4
Lechters	38,736	+ 34.6	57,887	+ 32.8
Lionel	67,488	+ 4.0	128,739	+ 10.5
Oshman's*	80,129	+ 7.0	148,494	+ 7.2
Pep Boys-M,M,J*	199,700	+ 18.6	378,827	+ 20.0
Pier 1 Imports[1]	113,930	+ 17.3	113,930	+ 17.3
Tandy[4]	997,404	+ 10.3	4,180,783	+ 10.2
Toys 'R' Us	775,409	+ 12.9	1,543,108	+ 15.7
Williams-Sonoma	41,261	+ 27.1	83,323	+ 24.1
Composite	3,374,393	+ 13.2	8,282,930	+ 13.3
SUPERMARKETS				
A&P[1]	3,430,581	+ 14.5	3,430,581	+ 14.5
Albertsons	1,825,784	+ 16.0	2,938,946	+ 13.2
American	5,376,848	+ 18.2	10,592,014	+ 30.0
Bruno's[4]*	515,884	− 1.9	2,134,803	+ 7.7
Delchamps	228,092	− 2.2	809,532	+ 4.2
Fooderama	132,582	+ 11.3	283,727	+ 8.6
Food Lion	1,000,483	+ 23.3	2,080,288	+ 26.2
Giant Food	732,826	+ 8.4	1,457,385	+ 9.2
Hannaford Bros.*	373,123	+ 22.9	721,161	+ 24.6
Ingles Markets[3]	226,566	+ 13.3	850,840	+ 13.6
Kroger*	4,425,905	− 1.7	8,916,672	+ 1.1
Marsh[1]	228,883	+ 9.7	228,883	+ 9.7
Penn Traffic	709,400	+312.0	1,218,353	+283.5
Quality Food Centers	78,541	+ 51.6	135,061	+ 36.9
Safeway	3,271,364	+ 4.4	6,407,961	+ 6.2
Smith's Food & Drug	421,846	+ 28.7	821,065	+ 29.8
Vons*	1,196,893	+ 52.9	2,376,298	+ 57.9
Winn-Dixie[4]*	2,153,048	− 2.4	9,151,145	+ 1.6
Composite	28,309,219	+ 12.2	56,217,246	+ 14.3
DRUG STORES				
Drug Emporium[1]	113,944	+ 19.9	113,944	+ 19.9
Fay's	487,908	+ 3.2	1,107,744	+ 6.7
Genovese	91,121	+ 14.9	264,471	+ 14.6
Longs	593,365	+ 8.3	995,108	+ 8.9
Perry[3]†*	163,800	− 0.8	507,453	+ 1.7
Rite-Aid[1]	754,588	+ 18.6	754,588	+ 18.1
Walgreen[3]	1,350,709	+ 11.1	4,030,864	+ 9.7
Composite	3,465,274	+ 9.3	7,723,444	+ 6.6
HOME CENTERS				
Grossman	343,909	+ 4.2	583,600	+ 5.4
Hechinger*	338,867	+ 18.6	611,737	+ 17.8
Home Depot	784,825	+ 35.9	1,346,546	+ 38.5
Lowe's	746,196	+ 5.9	1,348,328	+ 4.1
Wolohan Lumber	79,962	+ 4.4	128,852	+ 8.4
Composite	2,218,809	+ 15.6	3,997,483	+ 16.4
SHOPPING CENTER DEVELOPERS				
Federal Realty	20,100	+ 18.5	40,753	+ 20.0
Rouse	116,934	+ 8.5	236,845	+ 3.6
Weingarten	16,900	+ 8.3	33,400	+ 8.3
Composite	153,934	+ 9.7	304,236	+ 5.2

EARNINGS

	2nd qtr. (000 omitted)	% change	YTD (000 omitted)	% change
HARD LINES CHAINS				
Best Buy[1]	(1,247)	N/A	(1,247)	NA
Blockbuster Ent.	8,919	+107.7	14,515	+140.2
Circuit City[1]	10,735	+ 19.9	10,735	+ 19.9
Claire's	2,393	N/A	4,309	N/A
Fabri-Centers	(1,251)	N/A	(727)	N/A
Fretters*	1,714	+ 5.5	864	+ 13.4
Good Guys	311	− 40.3	3,064	+ 6.0
Heilig-Meyers[1]	5,974	+ 1.4	5,974	+ 1.4
Highland Superstores	(2,966)	N/A	(11,184)	N/A
House of Fabrics	(119)	N/A	1,228	− 50.3
Lechters	284	− 18.4	356	− 28.5
Lionel	(3,492)	N/A	(7,088)	N/A
Oshman's*	(167)	N/A	(1,804)	N/A
Pep Boys-M,M,J*	10,821	+ 17.5	17,647	+ 4.3
Pier 1 Imports[1]	6,723	+ 25.0	6,723	+ 25.0
Tandy[4]	56,805	− 0.6	323,504	+ 2.3
Toys 'R' Us	23,842	+ 3.1	59,631	+ 11.8
Williams-Sonoma	95	N/A	353	N/A
Composite	117,924	+ 3.2	417,835	+ 5.5
SUPERMARKETS				
A&P[1]	45,390	+ 19.3	45,390	+ 19.3
Albertsons	45,625	+ 23.1	90,016	+ 24.1
American	24,640	− 18.6	46,155	− 19.5
Bruno's[4]*	11,830	+ 7.7	47,809	+ 11.8
Delchamps	5,654	+ 52.2	12,140	+ 23.9
Fooderama	599	− 6.3	636	− 58.4
Food Lion	31,972	+ 15.7	60,002	+ 22.5
Giant Food	22,187	+ 9.3	40,712	+ 10.4
Hannaford Bros.*	10,714	+ 51.6	19,290	+ 37.0
Ingles Markets[3]	4,280	+ 8.4	10,311	+ 2.0
Kroger*	1,414	− 97.7	(17,500)	N/A
Marsh[1]	2,649	+ 50.3	2,649	+ 50.3
Penn Traffic	(2,806)	N/A	(15,294)	N/A
Quality Food Centers	3,307	+111.7	5,265	+ 80.7
Safeway	7,673	− 61.3	16,443	− 28.5
Smith's Food & Drug	5,956	+ 30.0	11,633	+ 37.3
Vons*	(6,000)	N/A	(22,290)	N/A
Winn-Dixie[4]*	42,326	− 5.7	122,645	+ 5.1
Composite	254,528	− 24.9	484,767	+ 17.6
DRUG STORES				
Drug Emporium[1]	1,759	+ 32.8	1,759	+ 32.8
Fay's	7,442	− 30.0	13,178	− 19.3
Genovese	307	− 65.2	1,516	− 33.8
Longs	15,249	+ 8.8	29,600	+ 6.6
Perry[3]†*	849	N/A	5,777	N/A
Rite-Aid[1]	24,388	+ 3.1	24,388	+ 3.1
Walgreen[3]	38,382	+ 25.6	128,529	+ 24.1
Composite	88,584	+ 11.1	198,867	+ 26.3
HOME CENTERS				
Grossman	10,000	− 9.4	3,299	+ 23.1
Hechinger*	9,797	− 34.9	17,109	− 28.4
Home Depot	38,091	+ 43.2	56,729	+ 39.2
Lowe's	29,928	+ 13.2	44,514	+ 7.2
Wolohan Lumber	4,063	+ 5.3	4,907	+ 5.0
Composite	86,179	+ 8.6	126,499	+ 11.5
SHOPPING CENTER DEVELOPERS				
Federal Realty	7,700	+546.1	9,153	+167.2
Rouse	4,183	+ 12.0	6,341	− 54.5
Weingarten	3,262	− 8.4	7,552	− 43.4
Composite	15,115	+ 79.6	22,046	− 22.7

N/A Not applicable because of loss in either current or comparable period
* Before extraordinary items or changes in accounting principles
† Continuing operations only
[1] First quarter figures
[3] Third quarter figures
[4] Fourth quarter figures
Source: Company reports

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APPAREL SALES BOOST SPECIALTY STORES

Driven by continued strength in apparel, substantial sales gains were posted by specialty retailers in August. However, for general merchandisers, increases in apparel and back-to-school were offset by weak sales of durables.

At Sears, the nation's largest retailer, the newly-implemented everyday-low-price policy continued to produce shaky results. The company posted a 1.1% decline in comparable store results.

A spokesman for the Chicago-based chain said slow sales of durable goods—including furniture, home improvement products, hardware and automotives—offset gains in apparel, home appliances and home electronics.

K mart, the nation's second largest retailer, also had a disappointing August, with sales up 4.8% and comparable-store results up 1.5%.

Same-store totals rose only 0.8% at Montgomery Ward. A company spokesman blamed cool weather for sluggish sales of seasonal merchandise such as air conditioners.

Meanwhile, Wal-Mart, which has consistently outperformed competitors, showed strength again with an overall gain of 26%.

J. C. Penney said "record" sales of children's merchandise and young women's and men's clothing helped boost same-store totals by 15.7%.

The Gap maintained its rebound with a 25.3% increase for the month and a 15% gain in comparable store sales. The Limited posted a 10.8% gain for the month in stores open at least a year.

Some analysts cautioned that several of the strong reports looked stronger than they actually were because of weak results a year ago, when the fashion industry was just beginning to emerge from a summer drought.

Company	August '89 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,504,976	+ 2.3	− 1.1	$18,216,523	+ 6.1	+ 3.6
K mart	2,056,570	+ 4.8	+ 1.5	15,135,346	+ 4.4	+ 0.9
Wal-Mart	2,122,000	+ 25.9	+11.0	13,542,000	+ 25.3	+11.0
Penney	1,272,000	+ 15.6	+15.7	8,061,000	+ 7.7	+ 5.6
Dayton Hudson	1,040,000	+ 12.7	+ 5.1	6,850,000	+ 13.3	+ 5.7
May	697,300	+ 8.6	+ 6.5	4,716,000	+ 16.6	+ 6.6
Melville	594,000	+ 14.3	N/R	4,308,600	+ 11.7	N/R
Woolworth	468,000	+ 12.3	+ 7.8	2,713,000	+ 9.0	+ 4.2
Carter Hawley Hale	194,000	+ 1.8	+ 1.2	1,414,000	+ 8.2	+ 8.3
Walgreen	466,390	+ 12.0	+10.3	3,540,219	+ 10.9	N/R
Ames	373,000	+101.7	+ 6.9	2,700,000	+123.9	+ 2.1
Ward	380,480	+ 1.0	+ 0.8	2,524,348	+ 5.1	+ 4.8
The Limited	369,400	+ 10.8	+10.8	2,314,000	+ 14.0	+12.0
Mercantile	173,580	+ 4.9	+ 3.7	1,157,197	+ 3.3	+ 2.5
Hills	164,487	+ 28.8	+ 4.9	1,013,152	+ 27.3	+ 3.2
The Gap	119,000	+ 25.3	+15.0	755,000	+ 25.6	+16.0
Circuit City	162,300	+ 20.9	+ 2.0	N/R	N/R	N/R
Neiman-Marcus Group	112,700	+ 24.1	+16.4	N/R	N/R	N/R
Rose's	138,622	+ 1.8	− 3.3	913,403	+ 2.7	− 2.7
Jamesway	92,582	+ 12.2	+ 6.0	425,606	+ 10.6	+ 3.0
Pamida	67,000	+ 17.5	+12.0	395,000	+ 16.6	+11.0
Dollar General	48,530	− 2.3	− 3.8	318,800	+ 1.7	+ 1.7
Best Buy	40,000	− 3.0	− 6.6	187,000	N/R	N/R
Gottschalks	16,086	+ 13.5	+ 4.8	107,484	+ 16.6	+ 5.5
Claire's	14,040	+ 34.0	+20.0	96,360	+ 22.0	22.5

N/R — not reported

Source: Company reports